

Official Statement



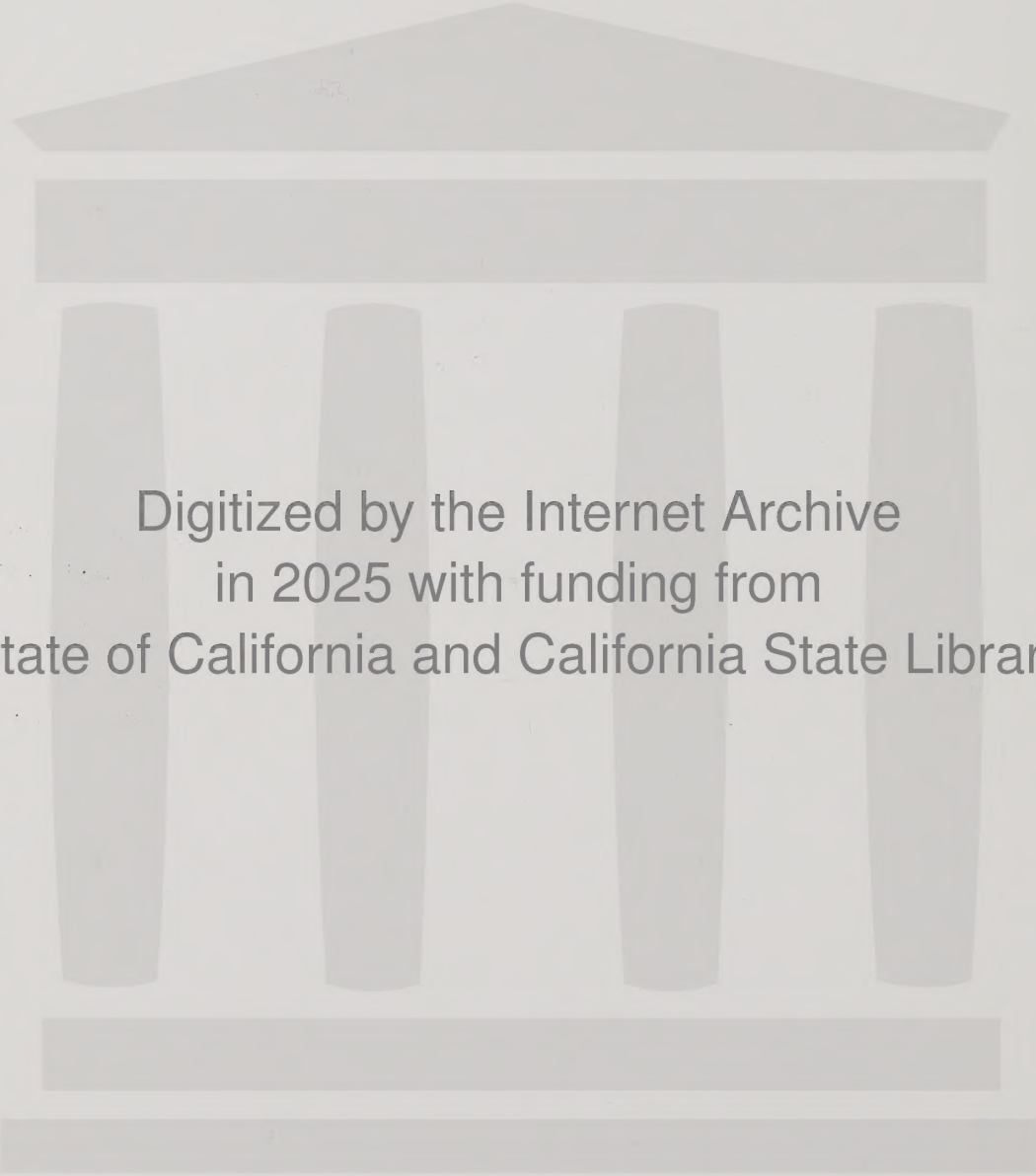
San Diego Unified School District Public School Building Corporation

no copy
San Diego County, California

\$17,110,000

Principal Amount of Bonds, Series C

Bids to be received by the Corporation at 10:00 A.M., Tuesday, August 23, 1977,
at the San Diego Unified School District Education Center, Second Floor
Conference Room, Room 2249, 4100 Normal Street, San Diego, California.



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OFFICIAL STATEMENT

SAN DIEGO UNIFIED SCHOOL DISTRICT PUBLIC SCHOOL BUILDING CORPORATION SAN DIEGO COUNTY, CALIFORNIA

\$17,110,000 PRINCIPAL AMOUNT BONDS, SERIES C

Miss Pauline des Granges, *President*

Mr. Charles W. Patrick, *Vice President*

Mr. Jess R. Macias, *Director*

Dr. J. J. Kimbrough, *Treasurer*

Mr. Arthur H. Marston, Jr., *Director*

Mr. Rolf Haas, *Secretary*

Mr. A. B. Polinsky, *Director*

Mr. John R. Schell, *Director*

San Diego Unified School District Board of Education

Rev. George W. Smith, *President*

Mr. John Witt, *Vice President*

Mrs. Julie Fisher, *Member*

Mrs. Dorothea Edmiston, *Member*

Dr. Philip Halfaker, *Member*

ADMINISTRATIVE STAFF

Dr. Thomas L. Goodman, *Superintendent*

Mr. Charles T. Glenn, *Deputy Superintendent, Administration*

Dr. Ralph Patrick, *Deputy Superintendent, Operations*

Dr. Harold W. Culver, *Director, Land & Facilities Planning*

Mr. Ronald Oakes, *Controller*

Mr. Ralph D. Stern, *Schools Attorney*

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PROFESSIONAL SERVICES

Orrick, Herrington, Rowley & Sutcliffe, *San Francisco, California*
Bond Counsel

Stone & Youngberg Municipal Financing Consultants, Inc., *San Francisco, California*
Financing Consultants

California First Bank, *San Diego, California*
Trustee

The Chase Manhattan Bank N.A., *New York, New York*
Paying Agent

Continental Illinois National Bank and Trust Co., *Chicago, Illinois*
Paying Agent

United California Bank, *Los Angeles, California*
Paying Agent

United California Bank, *San Francisco, California*
Paying Agent

7 00601

TO WHOM IT MAY CONCERN:

The purpose of this Official Statement is to supply information to prospective bidders on, and buyers of, \$17,110,000 principal amount of the Series C Bonds, proposed to be issued by the San Diego Unified School District Public School Building Corporation.

The material contained in this Official Statement was prepared by Stone & Youngberg Municipal Financing Consultants, Inc., in the capacity of financing consultants to the Corporation and the San Diego Unified School District (which firm will receive compensation from the Corporation contingent upon the sale and delivery of the Bonds).

This Official Statement is not to be construed as a contract with the purchasers of the Series C Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The agreements of the Corporation with the purchasers of the Bonds are set forth in the Indenture. That document will be available to any prospective investor in the Bonds. Reference is hereby made to that document for a complete statement of the rights and obligations of the Corporation and holders of the Bonds.

No dealer, broker, salesman or other person has been authorized by the Corporation to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The Corporation will deliver to the purchaser of the Bonds a certificate signed by an official of the San Diego Unified School District, dated the date of bond delivery, stating that as of the date hereof, to the best of the knowledge and belief of said official, the Official Statement does not contain an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, and further certifying that the signatory knows of no material adverse change in the condition of the District which would make it unreasonable for the purchaser of the Bonds to rely upon the Official Statement in connection with the resale of the Bonds, and authorizing the purchaser of the Bonds to distribute copies of the Official Statement in connection with the resale of the Bonds. 250 copies of the Official Statement will be supplied to the purchaser of the Bonds for this purpose.

The opinion of Orrick, Herrington, Rowley & Sutcliffe, San Francisco, California, Bond Counsel to the Corporation, will be furnished to the successful bidder (see the section entitled "Legal Opinion" herein). The scope of Bond Counsel's employment in connection with the review of this Official Statement has been limited to reviewing the statements of law and legal conclusions set forth herein under the sections titled "San Diego Unified School District Public School Building Corporation" and "The Bonds."

Dated July 28, 1977

SAN DIEGO UNIFIED SCHOOL DISTRICT PUBLIC
SCHOOL BUILDING CORPORATION

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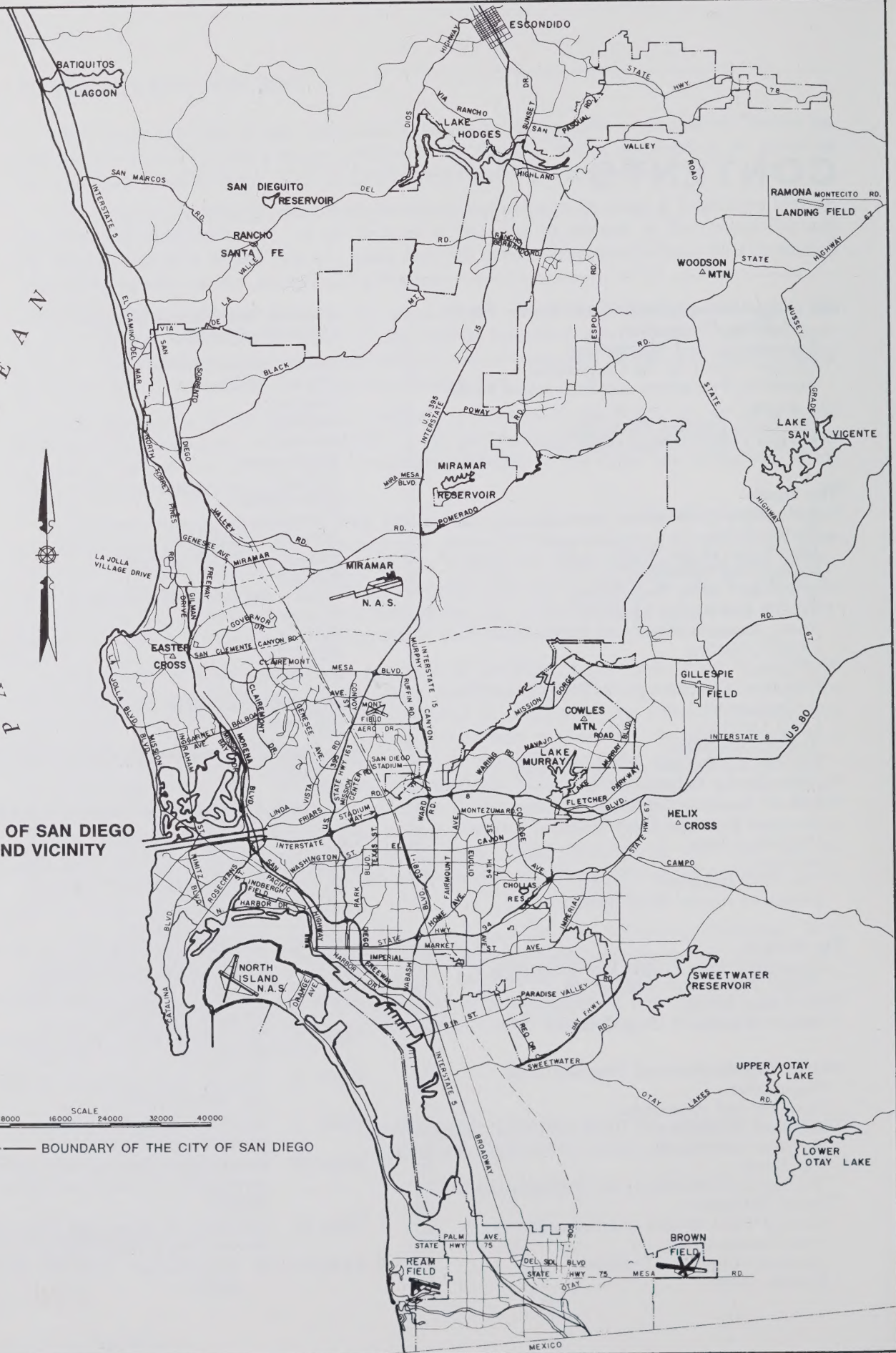
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**SUMMARY OF ESSENTIAL FACTS AND ESTIMATES
SAN DIEGO UNIFIED SCHOOL DISTRICT
PUBLIC SCHOOL BUILDING CORPORATION
\$17,110,000 PRINCIPAL AMOUNT SERIES C BONDS**

Issuer and Authority for Issuance: San Diego Unified School District Public School Building Corporation pursuant to the General Nonprofit Corporation Law of the State of California (Title 1, Division 2, Part 1 of the California Corporations Code) and an Indenture between the Corporation and California First Bank, as trustee.

Purpose of Issue: Finance the construction of four elementary schools and two career center additions (Project Phase III), which will be leased to the San Diego Unified School District.

Issue of Bonds: \$17,110,000 principal amount of Series C Bonds of the Corporation, dated September 1, 1977 and maturing on July 1 as follows:

Maturity Date July 1	Principal Maturing	Maturity Date July 1	Principal Maturing
1980 ..	\$ 400,000	1989 ..	\$ 710,000
1981 ..	430,000	1990 ..	760,000
1982 ..	460,000	1991 ..	810,000
1983 ..	490,000	1992 ..	860,000
1984 ..	520,000	1993 ..	920,000
1985 ..	550,000	1994 ..	970,000
1986 ..	590,000	1995 ..	1,040,000
1987 ..	630,000	2000 ..	6,300,000
1988 ..	670,000		

Interest: Maximum rate not to exceed 7½ percent per annum, payable on July 1, 1978, and semi-annually thereafter on January 1 and July 1 of each year.

Call Provisions: All bonds callable from proceeds of insurance or eminent domain on any date without premium. Bonds maturing on or before July 1, 1987 are not subject to call and redemption prior to their fixed maturity dates except as provided above. Bonds maturing on or after July 1, 1988 are also subject to redemption prior to their respective stated maturities as a whole or in part in inverse order of maturities and by lot within any such maturity if less than all of the bonds of such maturity be redeemed, from any source of available funds, on any interest payment date on or after July 1, 1987, at the principal amount and accrued interest to the date fixed for redemption, plus (if such redemption shall occur on or before July 1, 1995) a premium of one-fourth of one percent of such principal amount for each whole year or fraction thereof remaining be-

tween the date fixed for redemption and their respective stated maturities (no premium being payable if such redemption shall occur on or after January 1, 1996).

Minimum Call of Term Bonds: Sinking Fund deposits to be made semiannually commencing on December 30, 1995 to redeem specified amounts of term bonds of Series C by July 1, in the following years, without premium.

Year Ending July 1	Term Bonds to Be Redeemed
1996	\$1,110,000
1997	1,180,000
1998	1,250,000
1999	1,340,000
2000	1,420,000

Time and Place of Sale: Tuesday, August 23, 1977 at 10:00 A.M. at the San Diego Unified School District Education Center, Second Floor Conference Room, Room 2249, 4100 Normal Street, San Diego, California.

Payment and Registration: California First Bank (San Diego), and coupon bonds at United California Bank (Los Angeles and San Francisco), The Chase Manhattan Bank National Association (New York), or Continental Illinois National Bank and Trust Company of Chicago (Chicago). Coupon bonds in \$5,000 denominations or in fully registered form interchangeable as provided in the Indenture.

Tax Exemption: In the opinion of Bond Counsel, interest on the Series C Bonds is exempt from all present federal and State of California personal income taxes.

Legality for Investment: The Series C Bonds are eligible to secure deposits of public funds in California under Section 53651.5 of the California Government Code. It is anticipated that the Comptroller of Currency will issue a ruling that the Series C Bonds are eligible for purchase, dealing in, underwriting and unlimited holding by national banks.

Blue Sky Memorandum: Information memorandum regarding applicability of blue-sky laws in all 50 states, District of Columbia, and Puerto Rico will be furnished to prospective purchasers.

Legal Opinion: Orrick, Herrington, Rowley & Sutcliffe, San Francisco.

Security: Payment of Bond interest and principal secured by a first and exclusive charge upon District base rental payments. Rental payments are general fund obligations and District covenants to budget and appropriate necessary funds each year.

District is empowered to levy a November 5, 1974 voter-approved annual tax rate at a rate not to exceed 38.3¢ per \$100 assessed valuation over the period 1975/76 to 2002/03 for the purpose of purchasing school sites not then owned by the District, preparing plans and specifications, and leasing 22 fully furnished, equipped, and landscaped new school facilities.

Project Phase I (financed through the issuance of 1975 Series A Bonds) annual base and additional rental is fixed at \$3,349,280 through December 15, 1986. After the scheduled refunding of the 1975 Series A Bonds on January 1, 1987, the annual base and additional rental under this Facility Lease will be reduced to \$3,091,310.

Project Phase II (financed through the issuance of 1975 Series B Bonds) annual base and additional rental is fixed at \$3,629,336 for fiscal year 1977/78 through 1994/95.

Project Phase III (to be financed by the issuance of the currently offered Series C Bonds) annual base and additional rental is estimated at \$1,526,660 for fiscal year 1979/80 through 1999/2000.

Project Phase IV (anticipated to be financed by the issuance of Series D Bonds in March of 1978) annual base and additional rental is estimated at \$1,461,200 for fiscal years 1980/81 through 1999/2000. (The status of Project Phase IV is uncertain due to litigation).

The above Projects will finance the construction of 21 of the 22 originally planned schools. The twenty-second facility has been deleted from the construction program.

Based on the preliminary 1977/78 assessed valuation and a 3.50% tax delinquency (prior three-year average delinquencies of 2.54%), the maximum tax rate required to fund the estimated maximum annual base and additional rental obligation for the 21 authorized schools is 32.3¢ per \$100 assessed valuation of the approved 38.3¢ tax rate increase.

The estimated maximum rental for the Series C and D bonds is based on (1) an estimated 6½% interest rate to be bid on the bonds of Series C and D, (2) actual Project Phase III construction bids, (3) funded interest for 8 months beyond Project

Phase III completion date and for 11 months beyond the anticipated Project Phase IV completion date, (4) the funding of a reserve fund at maximum annual debt service on Series C and D Bonds.

Other Protective Provisions Bonds of Series C:

(1) Reserve equal to maximum annual debt service created from bond proceeds; (2) interest funded from bond proceeds through July 1, 1979, approximately eight months beyond the estimated date of occupancy of Project Phase III schools by the District; (3) firm construction bids have been received with 100% faithful performance and 100% labor and materialmen's bonds; (4) insurance protection includes fire and extended coverage for not less than full replacement cost of the facilities or sufficient to pay Bonds, subject to a deductible clause not to exceed \$100,000 for any one loss; earthquake insurance after completion, if such insurance is available on the open market from reputable insurance companies, for not less than full replacement cost of the facilities or sufficient to pay Bonds (subject to a deductible clause not to exceed 10 percent of replacement cost for any one loss); rental interruption insurance equal to time required to construct structure plus three months, less a 30-day deductible; public liability and property damage insurance (first \$100,000 being self-insurance of District); and a policy of title insurance in the amount of the Bonds insuring the Corporation's interest in the site upon which facilities are to be located.

District Financial Data: (1) Decrease in average daily attendance from 129,338 in 1972/73 to 124,404 as of June of 1977, (2) growth in assessed valuation from \$1,786,000,013 in 1972/73 to \$3,192,427,063 (preliminary and adjusted for the redevelopment agency increment) in 1977/78, (3) tax rates per \$100 assessed valuation over the last five year period ranged from \$4.536 (1974/75) to \$4.848 (1975/76). The 1976/77 tax rate was \$4.749, (4) total tax collection averaged 97.6 percent as of June 15, 1976.

Direct and Net Direct and Estimated Overlapping Debt. Upon delivery of the Corporation's Series C Bonds currently being offered for sale, the total of the Corporation's and District's direct debt will be \$120,906,025 or 4.22% of assessed valuation and 1.06% of estimated real value. Net direct and estimated overlapping debt will be 7.13% and 1.79% of assessed valuation and estimated real value, respectively.

ALL OF THE TERMS OF THIS SUMMARY OF ESSENTIAL FACTS AND ESTIMATES ARE SUBJECT TO THIS OFFICIAL STATEMENT AND THE OFFICIAL NOTICE OF SALE OF THE BONDS.

SAN DIEGO UNIFIED SCHOOL DISTRICT PUBLIC SCHOOL BUILDING CORPORATION

Organization and Membership

The San Diego Unified School District Public School Building Corporation, herein referred to as the "Corporation", was formed in December, 1974, as a nonprofit corporation pursuant to the General Nonprofit Corporation Law of the State of California (Title 1, Division 2, Part 1, of the California Corporations Code). The purpose of the Corporation is to provide financial assistance to the San Diego Unified School District, San Diego County, California, herein referred to as the "District", by financing the acquisition, construction, improvement and remodeling of public school buildings and facilities for the District.

The Corporation functions as an independent entity and its policies are determined by a nine-member Board of Directors who are community leaders and residents of the District. The corporate directors receive no compensation for work or service performed as corporation directors. All staff work is done by the district staff or by consultants to the Corporation since the Corporation has no employees.

The members of the Board of Directors are:

President: Pauline des Granges, Park and Recreation Director of the City of San Diego (1972-1974). Miss des Granges, an active participant in park and recreation professional organizations at the local, state and national levels, has served as: Director, American Park and Recreation Society; President, California Recreation Society; President, Recreation Department, League of California Cities; and delegate to the President's National Conference on Youth Fitness and White House Conference on Children and Youth.

Vice President: Charles W. Patrick, Deputy Superintendent of the San Diego Community College District (1971-1974). Mr. Patrick served as

a member of the President's National Advisory Council on Vocational Education; Commissioner, California Apprenticeship Council; President, National Council of Local Administrators of Vocational Education; and member of the Board of Directors of the American Technical Education Association.

Treasurer: Dr. J. J. Kimbrough, Past President and Secretary of the California State Board of Dental Examiners. Dr. Kimbrough has served as: President, San Diego Urban League; President, San Diego Branch of the N.A.A.C.P.; and a member of the Board of Directors of the Community Welfare Council, Downtown City Y.M.C.A., San Diego County Dental Society, and California Children's Home Society.

Secretary: Rolf Haas, insurance agent, long active in civic affairs, served on the Executive Board of the San Diego/Imperial Counties Labor Council, AFL-CIO and the Civil Service Commission, City of San Diego. Mr. Haas has also served as: President, Family Association of San Diego; and Chairman, Scenic Highways Element, San Diego County Planning Commission.

Director: Jess R. Macias, Group Engineer, Teledyne Ryan Corporation. Mr. Macias is serving the National Alliance of Businessmen in developing programs to increase job opportunities for minorities in San Diego. Mr. Macias holds the offices of President of the Spanish Speaking Political Association and President of Amigos de SERS. In educational matters, Mr. Macias has served on the San Diego Diocesan Board of Education and the University High School's Advisory Committee on Compensatory Education.

Director: Arthur H. Marston, Jr., a former Vice President, Broadway Department Stores. Mr. Marston, a San Diego merchant from 1932 to 1976, has served as President of San Diegans, Inc., a citizens' planning organization involved in the rehabilitation of the San Diego central business district; and Director, San Diego Chamber of Commerce.

Director: A. B. Polinsky, Chairman of the Board, Coca-Cola Bottling Company of San Diego. Mr. Polinsky has served as Chairman of the Board of the Greater San Diego Sports Association and founding director of the San Diego All American Stadium Committee, Inc. Organizations in which Mr. Polinsky has been a leading participant include: the San Diego Chamber of

Commerce; N.A.A.C.P.; United Jewish Federation; National Alliance of Businessmen; United Community Fund; and School Bond Election Committees.

Director: John R. Schell, attorney, partner in the San Diego law firm of Glenn, Wright, Jacobs & Schell. Mr. Schell has served as Assistant United States Attorney of Los Angeles and San Diego; and, Arbitrator, Construction Industry Panel, American Arbitration Association.

One position on the Board of Directors is presently vacant.

Certain Powers of the Corporation

The powers of the Corporation are vested in, and exercised by, a majority of its directors. Under its Articles of Incorporation, the Corporation has all powers conferred upon nonprofit corporations by the laws of the State of California including the following:

(a) To borrow money and issue bonds, debentures, notes and other evidences of indebtedness, and to secure the payment of performance of its obligations by pledge, mortgage, transfer in trust or otherwise;

(b) To acquire, by purchase, exchange, lease, gift, devise, bequest or otherwise, and to hold, improve, lease, sublease, mortgage, transfer in trust, encumber, exchange, convey or otherwise dispose of real and personal property; and

(c) To assume any obligations, enter into any contracts and other instruments and do any and all things incidental to or expedient for the attainment of its corporate purposes or the issuance and sale of its securities.

Financing Procedures and Basic Legal Documents

On November 5, 1974 voters of the District, by a vote of 111,601 to 88,345 (55.8%), approved an increase of 38.3¢ per \$100 assessed valuation in the District's maximum tax rate over the period 1975/76 to 2002/03 for the purpose of purchasing school sites not then owned by the District, preparing plans and specifications, and leasing the following 22 fully furnished, equipped, and landscaped new school facilities: (1) fifteen elementary schools, (2) one junior high school, (3) two junior-senior high schools, (4) one senior high school, and (5) three career education center additions.

The Corporation has issued pursuant to an Indenture (herein called the "1975 Indenture") dated July 1, 1975 between the Corporation and the Southern California First National Bank (now California First Bank and herein called the "Trustee") Bonds of Series A in the principal amount of \$37,250,000 to finance the acquisition and construction of eleven permanent elementary schools (herein called "Project Phase I"). The specific elementary grade schools included were: Miramar Ranch, Ericson, Chesterton, Mason, Sandburg, Hickman, Walker, Dailard, Green, Penn and Tierrasanta, including the acquisition of two existing privately-owned public school buildings situated at the latter school site. Construction at all schools is completed and the District presently occupies all facilities.

The Corporation has also previously issued under the 1975 Indenture Bonds of Series B, dated October 1, 1975, in the principal amount of \$35,000,000 to finance the construction of two junior-senior high schools and one junior high school (herein called "Project Phase II") for lease to the District. Construction at all schools is completed and the District presently occupies all facilities.

The Corporation on June 14, 1977 sold \$28,300,000 1977 Refunding Bonds, Series A pursuant to an Indenture (herein called the "1977 Indenture") dated July 1, 1977 to refund \$28,400,000 principal amount of 1975 Series A term bonds (\$100,000 balance is to be provided by California First Bank on the refunding date of January 1, 1987). The additional \$600,000 term bonds of Series A maturing on July 1, 2000 will be redeemed on January 1, 1987 from moneys in the 1975 Series A Sinking Fund Account provided for in the 1975 Indenture.

Proceeds from the sale of the \$17,110,000 principal amount of the Corporation's Bonds of Series C currently being offered will be used to finance the construction of four elementary schools and two career centers (herein called "Project Phase III") for lease to the District. The Project Phase III facilities will be constructed on District-owned sites that are to be leased to the Corporation pursuant to a site lease, the principal provisions of which are summarized in the "Site Lease (Project Phase III)" heading of this section of the Official Statement.

The principal provisions of the "Site Lease (Project Phase III)" are substantially the same as the corresponding provisions of the "Site Lease (Project Phase I)" and the "Site Lease (Project Phase II)" pursuant to which the District leased the

sites of Project Phases I and II to the Corporation, except for necessary changes. Project Phase III and the application of proceeds from the sale of the Bonds of Series C are described in "The Project" section of this Official Statement.

The \$17,110,000 principal amount of the Corporation's Bonds of Series C will be issued pursuant to the Third Supplemental Indenture to the 1975 Indenture. The Third Supplemental Indenture, approved as to preliminary form by the Corporation on July 28, 1977, is dated September 1, 1977 and will be executed prior to the delivery of the Bonds of Series C.

The Bonds of Series C and a summary of certain provisions of the Indenture and the Third Supplemental Indenture are discussed in "The Bonds" section of this Official Statement. For complete details prospective purchasers of the Bonds of Series C are referred to the text of the Indenture and of the Basic Legal Documents accompanying the distribution of this Official Statement.

The Corporation will lease back to the District the Project Phase III facilities and sites pursuant to provisions of a facility lease, the principal provisions of which are summarized in the "Facility Lease (Project Phase III)" heading of this section of the Official Statement. The principal provisions of the "Facility Lease (Project Phase III)" are substantially the same as the corresponding provisions of the "Facility Lease (Project Phase I)" and the "Facility Lease (Project Phase II)" pursuant to which the Corporation leased Project Phases I and II to the District except for necessary changes.

Following the issuance of the Bonds of Series C, the Corporation plans to issue one additional series of bonds under the 1975 Indenture to construct University City High School. The construction of University City High School will complete the present District authorization approved by voters on November 5, 1974. A Career Center addition at Crawford High School has been deleted from the originally planned construction program since funding from the Regional Occupational Program has been sufficient to provide for the needed career education requirements.

Site Lease (Project Phase III)

The Site Lease (Project Phase III) (herein referred to as the "Site Lease") has been approved as to preliminary form by the Corporation on July 28, 1977. The Site Lease will be dated September 1,

1977 and will be executed prior to the delivery of the Bonds of Series C.

Pursuant to the Site Lease, the District will lease to the Corporation, at an annual rate of \$1.00, the real properties (Demised Premises) upon which the Project Phase III facilities are to be constructed. The Corporation shall use the Demised Premises solely for the purposes of: (1) constructing Project Phase III facilities thereon, and (2) leasing back to the District the Demised Premises and the facilities thereon pursuant to the Facility Lease (Project Phase III).

Term. The term of the Site Lease shall start on the date of its recordation in the office of the County Recorder of San Diego County, State of California, or on December 1, 1977, whichever is earlier. The term of the Site Lease shall end on December 1, 2000, unless earlier terminated or extended. If prior to December 1, 2000, all of the Bonds of Series C shall have been retired, the Site Lease shall be terminated ten days thereafter (the final maturity of the Bonds of Series C is July 1, 2000). If on November 30, 2000, the Bonds of Series C have not been paid and retired, or if the rental payable under the Facility Lease shall have been abated, then the term of the lease shall be extended until ten days after all bonds and other indebtedness of the Corporation incurred to finance the construction of Project Phase III shall be fully paid and retired, except that the term of the lease shall in no event be extended beyond December 1, 2005.

Title to Sites: Quiet Enjoyment. The District owns the sites upon which Project Phase III facilities are to be constructed. All or a portion of one of the six Project Phase III sites was acquired by the District from the United States of America pursuant to a deed which reserves in the United States of America a right of reverter if the District breaches terms and conditions set forth in the deed: (1) the site must be continuously used for education purposes; (2) the District must comply with Title VI of the Civil Rights Act of 1964 (no person in the United States shall, on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or otherwise subjected to discrimination); (3) the District must receive permission from the United States of America to sell, lease, mortgage, encumber, or otherwise dispose of the site; and (4) the District must file annual reports to the United States of America relative to its compliance with conditions set forth in the deed. The District will covenant in the Site Lease to comply

with these terms and conditions contained in the deed and will further agree in the Site Lease that if at any time it is unable to comply with the terms and conditions of the deed, it will pay to the United States of America any amounts necessary to obtain a surrender and release of said terms and conditions, and it will use its best efforts to obtain such surrender and release.

Eminent Domain Proceedings. In the event all or any part of the Demised Premises or the Project Phase III improvements thereon are taken by eminent domain proceedings, the interests of the Corporation shall be recognized in the amount of the then unpaid indebtedness incurred by the Corporation to acquire and construct Project Phase III, including interest thereon and all other payments required to be made by, or to, the Trustee.

Termination and Disposition of Project. Upon the termination of the Site Lease, the Corporation agrees to surrender to the District the Demised Premises and title to the permanent structures and improvements existing thereon.

For additional details of the Site Lease, prospective purchasers of the Bonds of Series C are referred to the text of the proposed form of Site Lease included in the Basic Legal Documents accompanying the distribution of this Official Statement.

Facility Lease (Project Phase III)

The Facility Lease (Project Phase III) (herein referred to as the "Facility Lease") has been approved as to preliminary form by the Corporation on July 28, 1977. The Facility Lease will be dated September 1, 1977 and will be executed prior to the delivery of the Bonds of Series C. The Corporation will lease to the District the Demised Premises and the Project Phase III facilities constructed thereon pursuant to provisions of the Facility Lease described below.

Term. The term of the Facility Lease shall start on the date of its recordation in the office of the County Recorder of San Diego County, State of California, or on December 1, 1977, whichever is earlier. The term of the Facility Lease shall end on November 30, 2000 unless earlier terminated or extended. If prior to November 30, 2000, all of the Bonds of Series C shall have been retired, the Facility Lease shall terminate ten days thereafter (the final maturity of the Bonds of Series C is July 1,

2000). If on November 30, 2000 the Bonds of Series C have not been retired, the Facility Lease shall be extended until ten days after all Bonds of Series C and any other indebtedness incurred to finance the construction of Project Phase III shall be fully paid and retired, except that the term of the Facility Lease shall in no event be extended beyond December 1, 2005.

Construction of Facilities. The District has obtained competitive bids for the construction of Project Phase III facilities at a cost of \$13,349,474 as indicated in "The Project" section of this Official Statement. Concurrent with the execution, delivery and recordation of the Facility Lease, the Corporation will enter into contracts with the lowest responsible bidders for construction of Project Phase III facilities in accordance with plans and specifications previously approved by the District and the Office of the State Architect.

Commencement of Rent. It is contemplated that the District will take possession of the Demised Premises and the Project Phase III facilities on or before December 1, 1979 and the first semiannual payment of rental shall be due on December 15, 1979. The District may take possession of the Demised Premises and the Project Phase III facilities prior to December 1, 1979 if completed prior to that date. If for any reason the Corporation is not able to deliver possession of the Demised Premises and the Project Phase III facilities, or any part thereof, to the District by December 1, 1979, the Facility Lease shall not be void or voidable nor the Corporation be liable to the District for any resulting loss or damage; but in that event, the rental payable by the District shall be abated based on the proportion the construction cost of the incompleting portion or portions of the Project Phase III facilities bears to the total construction cost of the Project Phase III facilities.

Rental. Rental payable for the use and occupancy of the Demised Premises and the Project Phase III facilities is denominated "base rental" and "additional rental."

Base Rental. The District agrees to pay the Corporation a base rental, semiannually beginning on December 15, 1979 and each succeeding June 15 and December 15 up to and including June 15, 2000 unless the Facility Lease has been extended or earlier terminated. The amount of base rental shall be in a specified amount sufficient to meet payments of

interest and principal on the Corporation's Bonds of Series C as they become due. The actual base rental obligation of the District will be determined following the sale of the Bonds of Series C.

Additional Rental: The District is also required to pay to the Corporation additional rental, in an amount not to exceed \$10,000 annually, to meet administrative costs of the Corporation attributable to Project Phase III and the Corporation's Bonds of Series C.

District Provision of Rental. The District covenants to include all base rental and additional rental payments in its annual budget and to make the necessary annual appropriations for all such payments. The Corporation and the Trustee will be furnished copies of each proposed and final budget of the District within ten days after the filing or adoption thereof.

Abatement of Rental. Rental shall be abated during any period in which there is substantial interference with the District's use and occupancy of the Demised Premises and the Project Phase III facilities due to damage or destruction. The abatement of District rental shall be based on the proportion of initial costs of the unuseable portion or portions of the Project Phase III facilities to the total initial cost of Project Phase III facilities. In the event of any such damage or destruction, the lease shall continue in full force and effect and the District waives any right to terminate the lease by virtue of such damage or destruction.

Insurance. Except if such insurance is otherwise obtained by the Corporation or a construction contractor, the District is required to obtain and maintain throughout the term of the Facility Lease various insurance coverages including fire and extended coverage, earthquake (after completion of construction and if available on the open market from reputable insurance companies), public liability and property damage, and rental or use and occupancy insurance. The major features of these types and amounts of insurance coverage are discussed under the heading "The Indenture" in "The Bonds" section of this Official Statement.

Maintenance, Utilities, Taxes and Assessments. The District shall be responsible for the maintenance and repair of the Demised Premises and the Project Phase III facilities while in possession, and shall pay

or arrange for the payment of such costs, as well as utilities, and taxes and assessments throughout the term of the Facility Lease.

Eminent Domain Proceedings. In the event the Project Phase III facilities are permanently taken under the power of eminent domain, the Facility Lease shall terminate. In the event less than all of the Project Phase III facilities are taken under the power of eminent domain or if the whole of the Project Phase III facilities are taken under the power of eminent domain temporarily, the Facility Lease shall continue in full force and there shall be a partial abatement of rental to be agreed upon by the District and the Corporation; however, in no event shall the rental payable by the District be less than the amount required for the retirement of the Bonds of Series C and payment of interest thereon as such bonds and interest become due.

Option to Purchase. The District shall have the option to purchase the Corporation's interest in any part of the Project Phase III facilities upon payment of an option price equal to the aggregate amount for the entire remaining term of the lease of the part of the total rental attributable to such part of the Project Phase III facilities (determined by reference to the proportion which the construction cost of such part of the Project Phase III facilities bears to the construction cost of all of the Project Phase III facilities).

Default By District. Should the District default and fail to remedy any default, the Corporation has the right to terminate the Facility Lease and re-enter the premises, or without terminating the Facility Lease, re-enter and relet Project Phase III facilities as agent of and for the account of the District.

Termination and Disposition of Project. Upon termination of the Facility Lease, the Corporation agrees to surrender to the District the Demised Premises and title to permanent improvements thereon.

The foregoing summary discussion of selected features contained in the proposed form of Facility Lease are made subject to all of the provisions of the proposed form of Facility Lease. This summary does not purport to be a complete statement of such provisions and reference is made to the proposed form of Facility Lease which is included as part of the Basic Legal Documents accompanying this Official Statement.

THE BONDS

Authority for Issuance

The \$17,110,000 principal amount of San Diego Unified School District Public School Building Corporation Bonds of Series C, herein referred to as the "Bonds of Series C," are to be issued pursuant to the General Non-Profit Corporation Law of the State of California (Title 1, Division 2, Part 1 of the California Corporations Code), the 1975 Indenture and the Third Supplemental Indenture to the 1975 Indenture. The Bonds of Series C will be secured under provisions of the 1975 Indenture, a copy of which is included with the Basic Legal Documents which accompany the distribution of this Official Statement.

Terms of Sale

Bids for the purchase of the \$17,110,000 principal amount of Bonds of Series C will be received by the Corporation at 10:00 A.M., Tuesday, August 23, 1977, at the San Diego Unified School District Education Center, Second Floor Conference Room, Room 2249, 4100 Normal Street, San Diego, California 92103. Details of the terms of sale are included in the Official Notice of Sale adopted by the Board of Directors of the Corporation on July 28, 1977.

Description of the Bonds

The Bonds of Series C will be dated September 1, 1977 and will bear interest from their date, payable for the first ten months on July 1, 1978 and each succeeding January 1 and July 1. The Bonds of Series C will mature on July 1 in each of the years in the designated principal amounts as shown in Table 1.

The \$6,300,000 principal amount of Bonds of Series C maturing on July 1, 2000 are term bonds and mandatory sinking fund payments are provided for beginning in 1995 to assure payment of term bonds at or prior to maturity.

Table 1

SAN DIEGO UNIFIED SCHOOL DISTRICT PUBLIC SCHOOL BUILDING CORPORATION Bonds of Series C Principal Maturities

Maturity Date July 1	Principal Amount
1980	\$ 400,000
1981	430,000
1982	460,000
1983	490,000
1984	520,000
1985	550,000
1986	590,000
1987	630,000
1988	670,000
1989	710,000
1990	760,000
1991	810,000
1992	860,000
1993	920,000
1994	970,000
1995	1,040,000
2000	6,300,000

Redemption Provisions

The Corporation shall have the right, on any date, to redeem Bonds of Series C as a whole, or in part by lot within each maturity then outstanding, from proceeds of insurance paid for loss or substantial damage to the Project facilities or proceeds of eminent domain proceedings, so that the annual debt service for all years after such redemption shall be as nearly equal as practical. Redemption shall be at the principal amount and accrued interest thereon to the date fixed for redemption, without premium.

Serial bonds maturing on or prior to July 1, 1987, an aggregate principal amount of \$4,070,000, are not subject to call and redemption prior to their fixed maturity date except as provided above. Serial Bonds maturing on or after July 1, 1988 to and including July 1, 1995, a principal amount of \$6,740,000, are subject to call and redemption at the option of the Corporation as a whole or in part in inverse order of maturities and by lot within a maturity on any interest payment date on or after July 1, 1987 at the principal amount and accrued interest to the date of redemption, plus a premium

of one-fourth of one percent of such principal amount for each whole year, or fraction of a year, between the date of redemption and the maturity date of the bonds. No Serial Bonds can be called for redemption until all of the Term Bonds have been redeemed or called for redemption.

The \$6,300,000 principal amount of Term Bonds maturing July 1, 2000 are subject to call and redemption at the option of the Corporation as a whole or in part by lot on any interest payment date on or after July 1, 1987, through July 1, 1995 at the principal amount and accrued interest to the date of redemption, plus a premium of one-fourth of one percent of such principal amount for each whole year, or fraction of a year, between the date of redemption and the maturity date of the bonds.

On and after January 1, 1996 on any interest payment date the \$6,300,000 principal amount of Term Bonds maturing on July 1, 2000 are subject to call and redemption at the option of the Corporation as a whole or in part by lot at the principal amount and accrued interest to the date of redemption without premium.

Minimum Call of Term Bonds

To provide for the payment of term bonds maturing July 1, 2000, the Third Supplemental Indenture will provide that the Trustee shall deposit in the Principal Fund in the Series C Sinking Fund Account, on or before June 30 and December 30 of each year (beginning December 30, 1995) revenues in an amount equal to one-half of the amount required to call and redeem Bonds of Series C in the stated principal amounts shown below. Mandatory call of Term Bonds is by lot and without premium.

SAN DIEGO UNIFIED SCHOOL DISTRICT PUBLIC SCHOOL BUILDING CORPORATION

Series C

Minimum Call and Redemption of Term Bonds

Year Ending July 1	Principal Amount of Term Bonds to Be Called
1996	\$1,110,000
1997	1,180,000
1998	1,250,000
1999	1,340,000
2000	1,420,000

Trustee and Paying Agents

The California First Bank, San Diego, California, has been appointed by the Corporation as Trustee. The Trustee will receive all of the bond proceeds and will disburse bond moneys in conformity with the Indenture. In addition to holding and administering the various funds of the Corporation, the Trustee will invest the funds held in trust and will be the recipient of the rental revenues of the Corporation relating to the Project. The Trustee will also act as Paying Agent of the Corporation, paying bond interest and principal. The Trustee will act as bond registrar and will authenticate all registered bonds.

Interest and principal are payable at the San Diego, California principal office of California First Bank, the Trustee; or in the case of coupon bonds at the option of the holder at the principal office of United California Bank in Los Angeles, California; the principal office of United California Bank in San Francisco, California; the principal office of The Chase Manhattan Bank N.A. in New York, New York; or the office of Continental Illinois National Bank and Trust Co., Chicago, Illinois.

Form, Denomination, and Registration

The Bonds of Series C will be issued as coupon bonds in the denomination of \$5,000, or as fully registered bonds in the denomination of \$5,000 or any multiple thereof so long as principal shall mature in only one year. Coupon bonds and fully registered bonds will be interchangeable at the office of the Trustee as provided for in the Indenture.

CUSIP Numbers

It is anticipated that CUSIP numbers will be printed on the Bonds of Series C but neither failure to print such numbers on any Bond of Series C nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds of Series C in accordance with the terms of the purchase contract.

Litigation

There is no litigation pending concerning the validity of the Series C Bonds, and the Corporation will furnish to the successful bidder a no-litigation certificate certifying to the foregoing at the time of the delivery of the Series C Bonds.

The present California system of levying taxes and applying funds for public school purposes has been held unconstitutional under provisions of the California Constitution by a California Superior Court in the case entitled *Serrano v. Priest*.

The California Supreme Court in a decision dated December 30, 1976, affirmed the judgment of the Superior Court in that case. The decision requires that a new system for financing California primary and secondary schools must be implemented by September 3, 1980.

The Superior Court judgment as affirmed by the California Supreme Court contains a statement that the existing public school financing system shall continue to operate until an appropriate system, not in violation of the California Constitution, can be placed into effect.

Legislation has been introduced in the California legislature in response to *Serrano v. Priest*. It cannot be predicted whether any such legislation will be enacted by the legislature or, if such legislation is enacted, whether such legislation will be determined to be constitutional.

Pending legislation, in part, proposes to prevent or to slow the tax rate reduction in high wealth districts permitted under current California law. The tax revenues of high wealth districts in excess of a defined frozen base would be redistributed by the state to low wealth districts.

Any change resulting from *Serrano v. Priest* in the sources of funds, including property taxation, applied to the support of public schools and any effect thereof on the moneys available to the District to pay rental under the Facility Leases which are the security on the Bonds are not determinable at this time. However, it is not believed that the result of such litigation will affect the validity of the Facility Leases during their terms, even though the result of such litigation or legislation enacted in response thereto may affect the ability of the District to levy the voted tax rate increase.

Litigation Concerning the District and the Corporation

The Corporation and the District were sued by contractors and subcontractors in nine lawsuits arising from the fourteen projects financed by the Corporation's 1975 Series A (Project Phase I) and Series B (Project Phase II) Bonds.

The amount of damages claimed in Project Phase I amounted to approximately \$4,650,000 of which \$640,000 represented liquidated damages withheld from the various contractors. In July, 1977 all Project Phase I lawsuits were settled. These settlements totaled approximately \$683,620. The approximate amount of damages claimed in Project Phase II is \$90,000. These lawsuits are still pending.

On June 30, 1977 the Corporation filed Certificates of Final Completion for Project Phases I and II with the trustee, California First Bank, with directions to: (1) retain in the Phase II Construction Account the amount of \$200,000 as a retention for claims outstanding (including lawsuits), (2) transfer \$175,000 from the Project Phase II Construction Account to the Revenue Fund to subsequently be used for the costs of issuance for the 1977 Refunding Bonds, Series A, and (3) transfer the remaining balance in the Project Phase II Construction Account to the Project Phase I Construction Account.

California First Bank, as trustee, presently holds the above mentioned \$200,000 in the Project Phase II Construction Account and approximately \$4,865,000 in the Project Phase I Construction Account.

Approximately \$67,000 will be required for architects' final payments in Project Phase I. This would leave an estimated balance of approximately \$4,798,000 to be applied to any future projects financed by the Corporation. The District proposes to ask the Corporation to finance the construction of grading and site work at the University City High School site (Project Phase IV) from available moneys in the Project Phase I Construction Account. (See discussion below.)

A lawsuit challenging the environmental impact report for the University City High School (to be financed through a subsequent bond issue) has been filed. The lawsuit sought to prohibit the construction of the high school. On June 10, 1977, the San Diego Superior Court upheld the sufficiency of the environmental impact report. The plaintiffs have filed a notice of appeal and are seeking to have the Appellate Court stay any construction activities at the proposed site of University City High School until the appeal is determined. It cannot be predicted at this time whether a stay order will be issued.

In 1967 a suit seeking to racially balance the schools in the District was filed. In March, 1977 the San Diego Superior Court ordered the District

to take all reasonable and feasible steps to alleviate minority racial isolation at 23 of the District's 166 schools. A plan to accomplish this objective was filed on June 13, 1977. The sufficiency of the plan is currently being reviewed by the court. The District estimates that the cost of the plan submitted to the court will be approximately \$3.5 million in fiscal year 1977-78, and of this amount approximately \$2 million represents expenditures for new programs.

It is not believed that the litigation discussed above will have an adverse effect on the Series C Bonds.

Legal Opinion

The legal opinion of Orrick, Herrington, Rowley & Sutcliffe, San Francisco, California, bond counsel to the Corporation, approving the validity of the Bonds of Series C, will be furnished to the purchasers without charge at the time of the original delivery of the Bonds of Series C. A copy of the legal opinion will be printed on each bond. See the concluding paragraph of the "To Whom It May Concern" section of this Official Statement regarding the scope of bond counsel's employment concerning this Official Statement.

Bond counsel's fee is payable from the proceeds of the bonds and is contingent upon bond delivery, except if the bonds are not issued and the project is abandoned, bond counsel will receive a fee based upon the amount of work performed to said time of abandonment.

Tax Exempt Status

In the opinion of bond counsel, the interest on the bonds will be exempt from all present Federal income taxes under existing statutes, regulations, and court decisions, and the bonds will be exempt from all present taxation in California other than inheritance, estate, gift and franchise taxes.

Legality for Deposit of Public Money

The Bonds of Series C are eligible for security for deposits of public moneys in California.

Eligibility for National Banks

A request is being made to the Comptroller of the Currency for a ruling that Bonds of Series C of the Corporation are eligible for purchase, dealing in, underwriting and unlimited holding by national banks. The ruling is expected prior to the date of sale of the Bonds of Series C.

Sale of Bonds in California

The Division of Corporation Finance of the United States Securities and Exchange Commission has is-

sued a "no-action" letter to the Corporation stating that the Division of Corporation Finance will not recommend any action to the Securities and Exchange Commission if the proposed bond offering is made without prior compliance with the registration requirements of the Securities Act of 1933 or qualification of the Indenture under which the Bonds of Series C are to be issued under the Trust Indenture Act of 1939. The Commissioner of Corporations of the State of California has issued an interpretive opinion stating that the Bonds are exempt from the qualification requirement of Section 25110 of the California Corporate Securities Law of 1968. The Bonds of Series C are being offered and sold without registration under the Securities Act of 1933 or qualification of the Indenture under the Trust Indenture Act of 1939, and without qualification under the California Corporate Securities Law of 1968, in reliance upon such "no-action" letter and such interpretive opinion.

Resale of Bonds in Other States

The Corporation will furnish to prospective purchasers an information memorandum covering applicability of blue-sky laws in 50 states, the District of Columbia and Puerto Rico. The memorandum will indicate states in which no action is believed necessary to qualify the Bonds of Series C for offer and sale, states in which the Corporation is taking action to qualify the Bonds of Series C for offer and sale or to obtain exemptions, and states in which additional action is believed necessary to qualify the Bonds of Series C for offer and sale. The purchaser will assume responsibility for any required permits and/or filing fees in states in which additional action is believed necessary, and for complying with the laws of all jurisdictions on resale of the Bonds of Series C, and shall indemnify and hold harmless the Corporation and its officers and directors from any loss or damage resulting from any failure to comply with any such law.

Purpose of Issue

The Bonds of Series C are to be issued to finance Project Phase III, the construction of four elementary schools and two Career Centers, all for lease to the San Diego Unified School District, San Diego County, California, as more fully described in "The Project" section of this Official Statement.

Security

The Bonds of Series C will be valid, binding, and legal general obligations of the Corporation secured with the 1975 Series A and B Bonds under the 1975 Indenture by the assignment, transfer in trust, transfer of security interest in, and pledge of the trust estate, including the following, to the California First Bank, San Diego, California, as Trustee:

(1) The leasehold estate of the Corporation in real property under the three Site Leases (Project Phases I and II and III) between the District, as lessor, and the Corporation, as lessee, subject to rights of reverter reserved by the United States of America in the deeds of all or a portion of the sites of five schools;

(2) All rights, title, and interest of the Corporation under the three Facility Leases (Project Phases I and II and III) between the Corporation, as lessor, and the District, as lessee; and

(3) All of the revenues derived by the Corporation from the use and operation of the Project Phases I and II now completed and Project Phase III to be constructed pursuant to the Site and Facility Leases (Project Phase III);

Provided, however, that from and after the date when no 1975 Series A Bonds are outstanding (scheduled to be January 1, 1987), the lien of the 1975 Indenture on the Site Lease (Project Phase I), on the Facility Lease (Project Phase I) and on the revenues from Project Phase I will terminate, and thereafter such security will secure the 1977 Refunding Bonds Series A issued under the 1977 Indenture.

Bonds of Series A, B and C principal and interest coming due each year will be payable from semi-annual base rental payments to be made by the District for use of all Project facilities. The District's annual base rental specified in the three Facility Leases will be sufficient to pay principal and interest on the Bonds of Series A, B and C. Based on an estimated interest rate of 6½ % bid on the Bonds of Series C, the District's annual base rental for Project Phase III facilities would be \$1,516,660. The exact amount of the semiannual base rental payment by the District will be established subsequent to the determination of the interest rates the bonds of Series C will bear.

Under provisions of the Facility Lease (Project Phase III), the District will also be obligated to pay to the Corporation additional rental, not to exceed \$10,000 annually, to meet administrative costs of the Corporation attributable to the Bonds of Series C.

Authorized District Tax Rate Increase

At a District-wide election held on November 5, 1974, voters of the District approved Proposition XX which authorized an increase of 38.3¢ per \$100 assessed valuation in the District's maximum tax rate limit, over the period 1975/76 to 2002/03, for the purposes of: (1) acquiring school sites not then owned by the District, (2) preparing plans and specifications, and (3) leasing 22 fully furnished, equipped and landscaped public school buildings. Proposition XX also reserved to the District the right to lease less than all of the 22 public school buildings if circumstances so require.

For the use and occupancy of Project Phase I, the District is obligated under the Facility Lease (Project Phase I) to pay the Corporation a base rental semiannually beginning on December 15, 1976 (fiscal year 1976/77) and each succeeding June 15 and December 15 up to and including June 15, 2000 unless such Facility Lease has been earlier terminated or extended. This semi-annual base rental is sufficient to pay principal and interest on the 1975 Series A Bonds. The yearly base rental of \$3,339,280 plus the yearly additional rental of \$10,000 per year produces a yearly aggregate rental of \$3,349,280 which commenced in fiscal year 1976/77.

On June 14, 1977 the Corporation sold its 1977 Refunding Bonds, Series A. The proceeds of these 1977 Refunding Bonds, Series A, are scheduled to be used (together with other available moneys) to redeem the 1975 Series A Bonds then outstanding on January 1, 1987. Thereafter, the base rental under the Facility Lease (Project Phase I), as amended, will be applied to pay the 1977 Refunding Bonds, Series A. This reduced annual base rental of \$3,081,310 will commence on June 15, 1987, if the 1975 Series A Bonds are redeemed as scheduled on January 1, 1987.

For the use and occupancy of Project Phase II, the District is obligated under the Facility Lease (Project Phase II) to pay the Corporation a base rental semiannually beginning on December 15, 1977 (fiscal year 1977/78) and each succeeding June 15 and December 15 up to and including June 15, 1995 unless such Facility Lease has been earlier terminated or extended. This semiannual base rental is sufficient to pay principal and interest on the 1975 Series B Bonds. The yearly base rental of \$3,619,336 plus the yearly additional rental of \$10,000 per year produces a yearly aggregate rental of \$3,629,336 which will commence in fiscal 1977/78.

The District's maximum annual base rental to be payable to the Corporation under the Facility Lease (Project Phase III) in semiannual installments beginning December 15, 1979 is estimated at \$1,516,660, assuming an estimated interest rate of 6½ percent is bid on the Bonds of Series C. A portion of the District's 38.3¢ per \$100 assessed valuation maximum lease authorization tax will be levied beginning in fiscal year 1979/80 in an amount sufficient to pay base rental obligations, and additional rental obligations not to exceed \$10,000 annually, pursuant to the Facility Lease (Project Phase III).

Projected Assessed Valuations

Over the five-year period 1973/74 through 1977/78 (preliminary), the District's assessed valuation for revenue purposes increased from \$2,017,626,550 to \$3,192,427,063 preliminary assessed valuation (after adjustment for the redevelopment agency increment) or at an annual average increase of approximately \$293,700,000. If the District's assessed valuation for revenue purposes should increase at the rate of approximately 50 percent of the annual average increase experienced over the five-year period 1973/74 through 1977/78 (preliminary) (\$146,850,000), the District's projected assessed valuation for revenue purposes for the five-year period beginning in 1980/81 (the first year in which a portion of the lease authorization tax will be levied to pay Project Phase IV rental obligations) would be shown in the following tabulation.

Fiscal Year	Projected Assessed Valuation for Revenue Purposes ^①
1980/81	\$3,486,127,000
1981/82	3,632,977,000
1982/83	3,779,827,000
1983/84	3,926,677,000
1984/85	4,073,527,000

① Based on the increase from the preliminary 1977/78 assessed valuation for revenue purposes after adjustment for the redevelopment increment (\$3,192,427,063) at the annual rate of \$146,850,000 or approximately 50% of the average annual increase in assessed valuation for revenue purposes experienced by the District from 1973/74 to 1977/78 (preliminary).

Projected Rental Tax Rate

As previously stated, the District is empowered to levy the lease authorization tax at a rate not to

exceed 38.3¢ per \$100 assessed valuation over the period 1975/76 to 2002/03.

Project Phase I annual rental is fixed at \$3,339,280 plus additional rental of \$10,000 per year (aggregate \$3,349,280) for fiscal year 1976/77 to December 15, 1986. After the scheduled refunding of the 1975 Series A Bonds on January 1, 1987, the annual base rental under the Facility Lease (Project Phase I) will be reduced to \$3,081,310. Rental at this lower rate is scheduled to commence on June 15, 1987.

Project Phase II annual rental is fixed at \$3,619,336 plus additional rental of \$10,000 per year (aggregate \$3,629,336) for fiscal year 1977/78 through 1994/95.

Project Phase III annual rental is estimated at \$1,516,660 plus additional rental of \$10,000 per year (aggregate \$1,526,660) for fiscal year 1979/80 through 1999/2000.

Proceeds from the sale of the Corporation's 1975 Series A and Series B Bonds were used to acquire and construct 14 of the 22 school facilities (Project Phases I and II) authorized by the District voters on November 5, 1974. All of the Project Phase I and II schools have been completed and the District is presently obligated to, and is, paying rental under the Facility Leases (Project Phases I and II) for these schools.

Proceeds from the sale of the Corporation's Series C Bonds will be used to construct 6 more of the 22 school facilities approved by the voters.

The Corporation anticipates issuing one additional series of bonds in the spring of 1978 to construct University City High School (Project Phase IV). (The status is uncertain due to litigation). The twenty-second facility, a Career Center addition at Crawford High School, has been deleted from the construction program since funding from the Regional Occupational Program has been sufficient to provide for the needed career education requirements.

Construction costs estimated at \$10,900,000 for the University City High School, funded interest during and for eleven months beyond the anticipated completion of construction, construction contingencies of 3 percent, costs of bond issuance, and additional funding to increase the reserve fund under the 1975 Indenture to an amount equal to maximum annual debt service on all outstanding bonds would be funded from a subsequent series of Bonds under the 1975 Indenture in a principal amount estimated not to exceed \$16,000,000.

To the extent that excess proceeds in the construction fund are applied to Project Phase IV, the bond issue will be reduced. (See "Litigation Concerning the District and the Corporation" section of this Official Statement).

The estimated maximum annual rental (including additional rental of \$10,000) for a subsequent series of 1975 Indenture Bonds in the principal amount of \$16,000,000 would be approximately \$1,461,200, assuming a 6½% interest rate bid on the bonds, and payment of the final maturity on July 1, 2000.

All series of bonds issued under the 1975 Indenture are parity bonds payable from all Project Leases. Following redemption of the 1975 Series A Bonds scheduled for January 1, 1987, the rentals payable under the Facility Lease (Project Phase I) will be pledged to the payment of the 1977 Refunding Bonds, Series A, of the Corporation issued under the 1977 Indenture.

Based on the preliminary 1977/78 assessed valuation and a 3.50% tax delinquency, the maximum tax rate required to fund the estimated maximum annual rental obligation for the 21 authorized schools is 32.3¢ per \$100 of assessed valuation of the approved 38.3¢ tax rate increase.

The following tabulation shows that at the projected assessed valuations for revenue purposes, the maximum tax rate required to fund estimated maximum annual rental obligations for the 21 authorized schools would be 29.6¢ per \$100 assessed valuation in 1980/81 (the first year in which all Project leases would be in effect).

These data are based on the following assumptions and estimates: (1) actual Project Phase I and

II rental, (2) estimated Project Phase III rental based on a maximum interest rate of 6½% to be bid on the bonds, (3) project costs in dollars of a subsequent series (under the 1975 Indenture) as presently estimated, (4) an annual increase in the District's projected assessed valuation for revenue purposes equal to approximately 50 percent of the average annual increase in assessed valuation for revenue purposes experienced by the District from 1973/74 through 1977/78 (preliminary) after adjustment for the redevelopment increment, (5) an estimated interest rate of 6½ percent per annum to be bid on the subsequent series of bonds, (6) subsequent series deposits to the Reserve Fund at maximum annual debt service, and (7) an allowance for a 3.50 percent District tax delinquency.

To finance the construction of these final seven projects, Phases III and IV, the District has levied a portion of the authorized lease tax of 38.3¢ per \$100 assessed valuation in 1976/77 to generate funds to pay architect-design costs (\$1,672,250), and site acquisition costs (\$2,438,805).

The 1975 Indenture

The following summary of major provisions of the 1975 Indenture under which the Bonds of Series C will be secured is presented on page 13. The summary does not provide a complete and detailed description of all provisions of the 1975 Indenture and prospective purchasers of the Bonds of Series C are referred to the 1975 Indenture and to the Third Supplemental Indenture in the Basic Legal Documents accompanying the distribution of this Official Statement.

Fiscal Year	Projected Assessed Valuation for Revenue Purposes ^① (\$1,000's)	Fixed Rent Project Phase I ^②	Fixed Rent Project Phase II ^②	Estimated Rent Phase III ^②	Estimated Rent Phase IV ^②	Total	All Project Phases Estimated Rental Tax Rate ^③
1980/81 ..	\$3,486,127	\$3,349,280	\$3,629,336	\$1,526,660	\$1,461,200	\$9,966,476	\$29.6¢
1981/82 ..	3,632,977	3,349,280	3,629,336	1,526,660	1,461,200	9,966,476	28.4
1982/83 ..	3,779,827	3,349,280	3,629,336	1,526,660	1,461,200	9,966,476	27.3
1983/84 ..	3,926,677	3,349,280	3,629,336	1,526,660	1,461,200	9,966,476	26.3
1984/85 ..	4,073,527	3,349,280	3,629,336	1,526,660	1,461,200	9,966,476	25.3

① Based on an increase from preliminary 1977/78 assessed valuation for revenue purposes after adjustment for the redevelopment increment (\$3,192,427,063) at the annual rate of \$146,850,000, or approximately 50% of the average annual increase in assessed valuation for revenue purposes experienced by the District from 1973/74 to 1977/78 (preliminary).

② Includes additional rental of \$10,000 per year.

③ Per \$100 assessed valuation and a 3.50% delinquency (prior three year average delinquencies of 2.54%).

The Trustee. California First Bank, San Diego, California has been appointed by the Corporation as Trustee. The Trustee will receive all of the bond proceeds and revenues of the Corporation pledged under the 1975 Indenture for disbursement in conformity with the 1975 Indenture. In addition to administering the various funds of the Corporation, the Trustee will invest all funds held in trust, act as paying agent for the Corporation's Bonds of Series C and act as bond registrar.

Creation of Special Funds. The 1975 Indenture provides for the establishment of special trust funds, all to be held and administered by the Trustee. These funds together with their sources and uses are summarized in the tabulation below. Moneys held in the various funds may be invested by the Trustee under the provisions of Section 4.04 of the 1975 Indenture.

Disposition of Bond Proceeds. The Third Supplemental Indenture provides that the proceeds from the sale of the Bonds of Series C shall be deposited with the Trustee. The Trustee will then make the following deposits:

(1) *Interest Fund.* An amount sufficient to pay the interest accruing on the Bonds of Series C on and before July 1, 1979.

(2) *Reserve Fund.* A sum which, together with the balance then on deposit, shall equal maximum annual debt service on all Bonds then outstanding, including Bonds of Series C.

(3) *Construction Fund.* The balance of proceeds from the sale of Bonds of Series C which shall be deposited into the Project Phase III Construction Account and shall be applied to the payment of costs of Project Phase III.

TRUST FUNDS

Fund	Principal Source	Use
Construction Fund (Section 3.03)	Bond Proceeds	Construction, and incidental expenses of Bond issuance and delivery.
Revenue Fund (Section 4.01)	District Base Rental Payments	Transfers to Interest Fund; Principal Fund; Principal Fund Sinking Fund Accounts; Operation and Maintenance Fund, if needed; and Reserve Fund.
Interest Fund (Section 4.02(a))	Transfers from Revenue Fund	Bond interest payments.
Principal Fund (Section 4.02(b))	Transfers from Revenue Fund	Bond principal payments.
Principal Fund: Sinking Fund Accounts (Section 4.02(b) and Section 17.07) . . .	Transfers from Revenue Fund	Redemption of term Bonds at or prior to maturity.
Operation and Maintenance Fund (Section 4.02(c))	Transfers from Revenue Fund	To meet costs of operation and maintenance if at any time the Corporation shall operate and maintain the Project.
Reserve Fund (Section 4.02(d))	Bond Proceeds and, if depleted, Revenue Fund	Bond principal and interest; payment of final maturities; payment for Project repairs or replacement; and transfers to Corporate Operation Fund, if needed.
Corporate Operation Fund (Section 4.03) .	Bond Proceeds, District Additional Rental Payments and transfers from Reserve Fund earnings, if needed	Corporate operating expenses.

When Project Phase III has been completed, a certificate of the Corporation stating the fact and date of such completion, together with the Architect's certificate stating the fact and date of such completion, shall be delivered to the Trustee by the Corporation. With the receipt of these certifications the Trustee shall transfer any remaining balance not needed for Project Phase III purposes either, as directed by the Corporation, to the Revenue Fund or to another Project Construction Account.

Revenue Fund. All base rental revenue shall be paid to the Trustee and deposited by the Trustee to the credit of the Revenue Fund. Moneys in the Revenue Fund shall be disbursed, applied, or set aside by the Trustee in the following order of priority:

(1) *Interest Fund.* Commencing on or before December 30, 1976, and on or before June 30 and December 30 of each year thereafter, an amount equal to the aggregate half-yearly amount of interest becoming due and payable on the outstanding Bonds on the next succeeding interest payment date, less any available balances in said fund.

(2) *Principal Fund.* On or before each December 30, beginning December 30, 1976, an amount equal to at least (a) one-half of the aggregate yearly amount of principal becoming due and payable on outstanding serial bonds the next succeeding July 1 plus (b) one-half of the aggregate of the Minimum Sinking Fund Account Payments to be paid during the twelve-month period ending on the next succeeding July 1, and on or before each June 30, beginning June 30, 1977, an amount equal to (a) the sum which, together with any available balances, will be sufficient to pay the principal of serial bonds on the next succeeding July 1 plus (b) one-half of the aggregate of the Minimum Sinking Fund Account Payments to be paid during the twelve-month period ending on the next succeeding July 1.

(3) *Operation and Maintenance Fund.* If the Corporation shall at any time operate the Project, on or before each June 30 and each December 30 the Trustee shall deposit an amount needed to provide for payment of all costs of operation and maintenance during the next six months.

(4) *Reserve Fund.* Moneys in this Fund shall be held by the Trustee and shall be used to pay bond principal and interest in the event no other funds are available, and moneys in this Fund in excess of one-half of maximum annual debt service may be used for the repair,

reconstruction, or replacement of any damaged or destroyed portion of the Project or for the loss of rental income not insured against because of the thirty-day deductible amount. Excess balances in this Fund shall be used to the extent needed to increase the balance in the Corporate Operation Fund to the amount required to be on deposit in said Fund and any remaining excess amounts shall be paid to the District.

(5) *Corporate Operation Fund.* An amount necessary to maintain a balance of \$15,000 in this Fund.

Moneys in the Reserve Fund, Principal Fund, and Interest Fund may be used by the Trustee to reimburse the District for any rental payable under any Facility Lease for a period during which rental is abated and for which no other moneys (including proceeds of the rental interruption or use and occupancy insurance) are available.

Investment of Funds. All moneys held by the Trustee in any of the funds established pursuant to the Indenture (except the Operation and Maintenance Fund) may be held in demand or time deposits, and if so shall be secured at all times by collateral security having a market value at least equal to the amount required by law.

Moneys in such funds may also be invested in authorized investments (as defined in the Indenture) including Federal securities or certificates of deposit of banks, maturing prior to the dates required for withdrawal of funds.

All interest earned on any such investment shall become part of the fund on which earned, except that such interest earnings received on Interest Fund or Reserve Fund moneys attributable to any phase of the Project during construction of such phase of the Project shall be transferred to the Project Construction Account established for such Phase of the Project.

Additional Series of Bonds. Section 3.04 of the Indenture permits the issuance of one or more additional series of parity bonds by supplemental indenture(s) subject to, among other things, the following conditions:

(1) The Corporation shall not be in default under provisions of the Indenture;

(2) The supplemental indenture shall require that the additional series of bonds will be issued for the purposes of acquiring or constructing additional public school facilities for the District, or

the making of additions, improvements, or extensions to the Project;

(3) The additional series of bonds shall have no priority over the Bonds of prior series;

(4) The Corporation must enter into a new or amended Facility Lease with the District in which the District obligates itself to increase the base rental under all Facility Leases in amounts sufficient to provide for the payment of the principal of and interest on the additional series of bonds when due;

(5) Provision must be made to increase the Reserve Fund to an amount equal to at least the maximum annual bond service on all series of bonds to be outstanding thereafter.

Additional series of bonds may also be issued with the consent of the holders of 60 percent of outstanding bonds.

Title Insurance. A policy of title insurance insuring either the leasehold interest title of the Corporation in the real property described in the Site Lease (Project Phase III) or the title of the District in such real property will be provided at or prior to delivery of the Bonds of Series C. Said policy will be payable to the Trustee and will be enforceable in the principal amount of the Bonds of Series C.

Fire and Extended Coverage Insurance. While any of the Bonds are outstanding, the Corporation shall cause to be maintained insurance against loss or damage to any structures constituting part of the Project by fire and lightning with extended coverage and vandalism and malicious mischief insurance. Such insurance shall either (1) be in an amount equal to the replacement cost of the structures subject to deductible clauses of not to exceed the lesser of \$100,000 or the excess of the moneys in the Reserve Fund above one-half of maximum annual debt service for any one loss, or (2) be in an amount and in form sufficient to enable the Corporation (together with moneys in the Reserve Fund) either to retire all Bonds then outstanding or to restore the structures to the condition existing before such loss.

Earthquake Insurance. Upon completion of each Phase of the Project, the Corporation shall cause to be maintained earthquake insurance in an amount equal to the replacement cost of the structures, provided coverage is available on the open market from reputable insurance companies. Such earthquake insurance may be subject to a deductible clause

not to exceed 10 percent of replacement cost for any one loss. Alternatively, the Corporation may provide earthquake insurance in an amount and form to enable the Corporation either to retire all Bonds then outstanding or to restore the structures to the condition existing before such loss.

Use and Occupancy Insurance. While any of the Bonds are outstanding the Corporation shall cause to be maintained use and occupancy or rental interruption insurance to cover total or partial loss of rental income from any structure constituting the Project facilities resulting from damages discussed in the "Fire and Extended Coverage Insurance" and "Earthquake Insurance" paragraphs above in an amount sufficient to pay the total rental due for the period of time allowed for the construction of the structures by the construction contractors plus three months subject to a deductible clause of not to exceed the lesser of thirty days or the excess of the available moneys in the Reserve Fund above one-half of maximum annual debt service, except that such insurance need be maintained as to the peril of earthquake only following completion of construction and only if available on the open market from reputable insurance companies.

Public Liability Insurance. Except as provided below, while any of the Bonds are outstanding the Corporation shall cause to be maintained public liability insurance. Minimum liability limits for such insurance are \$5,000,000 for personal injury or death of one person; \$10,000,000 for personal injury or death of two or more persons in each event; and \$200,000 subject to a deductible clause not to exceed \$5,000, for property damage from each event. Such public liability and property damage insurance may however be in the form of a single limit policy in the amount of \$10,000,000 covering all such risks. Such liability insurance may be maintained in conjunction with any other liability insurance carried by the District.

The Corporation shall have the right to provide other kinds of insurance or methods or plans of protection against risk or loss which shall be in substitution for the public liability insurance otherwise required to be maintained by the Corporation, providing such other kinds of insurance, plans or methods shall afford reasonable protection to the Corporation, its members, directors, officers, agents and employees and the Trustee giving consideration to cost, availability and plans or methods of protection adopted by California school districts other than the District.

Eminent Domain. If all or any part of the trust estate shall be taken by eminent domain proceedings, or sold under threat thereof, the proceeds therefrom shall be deposited with the Trustee and applied and disbursed as follows: (a) to be treated as revenues of the Project if the Project's operation has not been materially affected or the Corporation's ability to meet its obligations has not been impaired; or the proceeds shall be used if needed for repair or rehabilitation of the Project; (b) to be used to redeem Bonds if less than all of the Project shall have been taken by eminent domain and if the Project's operation has been materially affected, or the Corporation's ability to meet its obligations has been impaired; and (c) if all of the Project shall have been taken by eminent domain, the proceeds therefrom and any other available monies shall be used to redeem Bonds. If said monies are insufficient the Trustee shall first apply the proceeds to meet the Trustee's costs of litigation and administration of its trusts under the Indenture, and then to payment of principal and interest on the Bonds then outstanding, in full or ratably without preference or priority.

Non-Liability of Individuals. No recourse shall be had for the payment of the principal of or the interest on the Bonds or for any claim based thereon or otherwise in respect thereof, or based on or in respect of the Indenture or any indenture supplemental thereto, against any incorporator, member, director or officer, as such, past, present or future, of the Corporation or of any predecessor or suc-

cessor corporation, either directly or through the Corporation or otherwise, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability being by the acceptance of the Bonds and as part of the consideration for the issue thereof expressly waived and released, as provided in the Indenture.

Additional Covenants. The Indenture contains other covenants, including but not limited to, the following whereby the Corporation agrees to:

- (1) Punctually pay the principal and interest on the Bonds as they become due;
- (2) Promptly collect all rents and charges due for the occupancy or use of the Project and to enforce its rights against any tenant who does not pay such rents and charges as they become due;
- (3) Maintain, or cause to be maintained, proper books of record and account;
- (4) Maintain, or cause to be maintained, in good condition and repair the Project facilities;
- (5) Construct and complete Project Phase III in conformity with the construction contracts (under the construction contracts 100% performance bonds and 100% labor and materialmen's bonds will be required of the contractor);
- (6) Pay, discharge, or contest any taxes, assessments, or other charges upon the Project or the revenues.

Estimated Annual Bond Service

Table 2 shows annual bond service on the Corporation's \$17,110,000 Bonds of Series C based on a 6½ percent estimated maximum interest rate bid

on the Bonds of Series C. Also shown is the combined actual bond service on the Corporation's Bonds of Series A (until January 1, 1987), the Bonds of Series B and the 1977 Refunding Bonds of Series A (after January 1, 1987).

Table 2

SAN DIEGO UNIFIED SCHOOL DISTRICT PUBLIC SCHOOL BUILDING CORPORATION

BONDS OF SERIES C AND OUTSTANDING ISSUES

Estimated Annual Bond Service at Maximum Interest Rate

Year Ending July 1	Series C Bonds Outstanding	Interest Estimated at (6½ %)	Series C Principal Maturing or Subject to Mandatory Redemption	Series C Estimated Bond Service	Series A and B Bond Service ^③	Estimated Total Bond Service
1978 ...	\$17,110,000	\$ 926,791.67	\$ —	\$ 926,791.67 ^②	\$ 6,821,325.00	\$ 7,748,116.67
1979 ...	17,110,000	1,112,150.00	—	1,112,150.00 ^②	6,851,325.00	7,963,475.00
1980 ...	17,110,000	1,112,150.00	400,000	1,512,150.00	6,819,325.00	8,331,475.00
1981 ...	16,710,000	1,086,150.00	430,000	1,516,150.00	6,879,325.00	8,395,475.00
1982 ...	16,280,000	1,058,200.00	460,000	1,518,200.00	6,873,325.00	8,391,525.00
1983 ...	15,820,000	1,028,300.00	490,000	1,518,300.00	6,855,325.00	8,373,625.00
1984 ...	15,330,000	996,450.00	520,000	1,516,450.00	6,875,325.00	8,391,775.00
1985 ...	14,810,000	962,650.00	550,000	1,512,650.00	6,879,325.00	8,391,975.00
1986 ...	14,260,000	926,900.00	590,000	1,516,900.00	6,881,150.00	8,398,050.00
1987 ...	13,670,000	888,550.00	630,000	1,518,550.00	6,730,506.25	8,249,056.25
1988 ...	13,040,000	847,600.00	670,000 ^①	1,517,600.00	6,552,262.50	8,069,862.50
1989 ...	12,370,000	804,050.00	710,000 ^①	1,514,050.00	6,609,682.50	8,123,732.50
1990 ...	11,660,000	757,900.00	760,000 ^①	1,517,900.00	6,617,027.50	8,134,927.50
1991 ...	10,900,000	708,500.00	810,000 ^①	1,518,500.00	6,662,277.50	8,180,777.50
1992 ...	10,090,000	655,850.00	860,000 ^①	1,515,850.00	6,695,177.50	8,211,027.50
1993 ...	9,230,000	599,950.00	920,000 ^①	1,519,950.00	6,767,947.50	8,287,897.50
1994 ...	8,310,000	540,150.00	970,000 ^①	1,510,150.00	6,811,705.00	8,321,855.00
1995 ...	7,340,000	477,100.00	1,040,000 ^①	1,517,100.00	6,940,157.50	8,457,257.50
1996 ...	6,300,000	409,500.00	1,110,000 ^①	1,519,500.00	3,165,427.50	4,684,927.50
1997 ...	5,190,000	337,350.00	1,180,000 ^①	1,517,350.00	3,203,420.00	4,720,770.00
1998 ...	4,010,000	260,650.00	1,250,000 ^①	1,510,650.00	3,244,785.00	4,755,435.00
1999 ...	2,760,000	179,400.00	1,340,000 ^①	1,519,400.00	3,285,890.00	4,805,290.00
2000 ...	1,420,000	92,300.00	1,420,000 ^①	1,512,300.00	1,232,400.00	2,744,700.00
Total .		\$16,768,591.67	\$17,110,000	\$33,878,591.67	\$136,254,416.25	\$170,133,007.92

① Callable on or after July 1, 1987.

② Funded in bond proceeds. Bonds are dated September 1, 1977.

③ Incorporates debt service on the Series A Bonds until January 1, 1987 and on the 1977 Refunding Bonds Series A after January 1, 1987. The 1977 Refunding Bonds Series A were sold on June 14, 1977 and provided funds sufficient (together with other available funds) to redeem the 1975 Series A Bonds on January 1, 1987.

Source: Stone and Youngberg Municipal Financing Consultants, Inc.

THE PROJECT

Organization for Project Implementation

To facilitate the timely implementation of the voter approved building program, the Board of Education of the San Diego Unified School District adopted an organization plan designated as the "San Diego Schools Project Design, Management, and Construction Team."

Mr. Charles T. Glenn, Deputy Superintendent of Administration, has been designated project Coordinator, responsible to Dr. Thomas L. Goodman, Superintendent, and the Board of Education.

Mr. Glenn holds an M.B.A. degree from Stanford University Graduate School of Business and has had 28 years of professional school business management experience. Prior to assuming the duties as Deputy Superintendent of Administration on July 1, 1977, Mr. Glenn had served the District as Assistant Superintendent, Business Services Division.

As Coordinator for the Corporation's financing of construction, Mr. Glenn is responsible for the overall direction and coordination of Project implementation activities of the Finance Department and operating divisions of the District; Schools Attorney's Office; and coordination with the San Diego Unified School District Public School Building Corporation. Mr. Glenn is assisted by the following District staff:

Dr. Harold W. Culver, Director of Land and Facilities Planning. Dr. Culver holds the degree of Ed.D. from the University of California at Los Angeles and has been Director of the Land and Facilities Planning Department since 1958. Construction of all projects is under the direct supervision of Dr. Culver.

Mr. Ronald Oakes, Controller. Mr. Oakes, who holds an M.B.A. degree in Business Administration from the Harvard Graduate School of

Business Administration, has had over 20 years of experience in private business as controller and chief financial administrator. Mr. Oakes directs project budgeting, accounting, and related financial planning functions for the District.

Mr. Ralph D. Stern, Schools Attorney. Mr. Stern holds a Juris Doctor degree from the University of Chicago Law School. He was selected as Assistant Schools Attorney in 1971 and has held the position of Schools Attorney since July 1, 1973. Mr. Stern is responsible for legal affairs of the District as they relate to Project implementation.

In addition to the above, other selected District staff personnel who provide assistance include Mr. J. V. Ward, Facilities Planning Coordinator, Business Services Division; Mr. Richard E. Canner, Schools Architect; Mr. Fred A. Johnson, Construction Supervisor; and Mr. Lewis E. Gary, Material Control and Warehousing Director.

Important advisory and liaison services are also provided by Mr. Irving L. McClure, Director, Elementary Division, and Mr. George D. Smith, Director, Secondary Division.

Project Phases and Bond Series

The Board of Education has grouped the voter approved 22 school building program into the following phases for Project implementation purposes.

Project Phase I. Acquisition and construction of eleven permanent elementary schools. On July 9, 1975, the Corporation sold Bonds of Series A in the principal amount of \$37,250,000 to finance construction of Project Phase I facilities. These facilities are now completed. The Corporation sold on June 14, 1977 \$28,300,000 1977 Refunding Bonds, Series A to be used to redeem on January 1, 1987 the outstanding Bonds of Series A.

Project Phase II. Construction of one permanent junior high school and two permanent junior-senior high schools. On September 30, 1975, the Corporation sold Bonds of Series B in the principal amount of \$35,000,000 to finance construction of Project Phase II facilities. These facilities are now completed.

Project Phase III. The \$17,110,000 principal amount of the Corporation's Bonds of Series C are being offered for sale to provide funds for the construction of four permanent elementary schools and two permanent Career Centers.

Project Phase IV. The Corporation anticipates offering in the spring of 1978 a Series D Bond Issue in the approximate amount of \$16,000,000 to finance the construction of University City High School (Project Phase IV). The District proposes to ask the Corporation to finance the construction of grading and site work at the high school site from the available Project Phase I Construction Account moneys. If such advance grading and site work is permitted, the size of the bond issue will be reduced. (See "Litigation Concerning the District and the Corporation" section of this Official Statement).

The remaining originally planned facility, a Career Center addition at Crawford High School, has been deleted from the construction program since funding from the Regional Occupational Program has been sufficient to provide for the needed career education requirements.

Pre-Lease Levies

The District has levied the voter approved lease authorization tax to fund a portion of the Project Phases I, II, III and IV costs on a cash basis. This pre-lease levy produced \$8,385,979 in fiscal year 1975/76 and is expected to produce an additional \$12,466,047 in fiscal years 1976/77-1977/78. The budgeted expenditures for these pre-lease levies (aggregate \$20,852,026) are shown above.

Pre-Lease Levies 1975/76-1977/78^①

Item	Estimated Amount
Furniture and Equipment	\$11,182,375
Architect Fees	1,795,992
Site Purchase	3,934,270
Other Costs ^②	3,939,389
Total	\$20,852,026

① \$8,385,979 actual amount collected in 1975/76. Actual amount collected in 1976/77 is not yet available.

② Includes site survey fees, construction tests, inspection salary, utilities services, site escrow costs, program planning, earthquake insurance and litigation expense.

Source: San Diego Unified School District.

Bonds of Series C Requirement

The District has received competitive sealed construction bids for four elementary schools and two career centers (Project Phase III). The following tabulation summarizes these bids.

On the basis of the bid prices, the Corporation has, at the request of the District, issued letters of intent to enter into construction contracts with G. L. Cory, Inc. of San Diego, California; Robert G. Fisher Co., Inc. of San Diego, California; Louetto Construction, Inc., of Escondido, California; and Nielsen Construction Co. of San Diego, California for the construction of Project Phase III facilities (see the tabulation below).

Upon delivery of the Bonds of Series C, the Corporation will enter into construction contracts with

SUMMARY OF CONSTRUCTION BIDS

School	Bid Date	Contractor	Bid Price
Vista Grande Elementary School	May 26, 1977	G. L. Cory, Inc.	\$2,620,735
Zeta Doyle Elementary School	June 2, 1977	Robert G. Fisher Co., Inc.	3,022,000
Jean Farb Elementary School	June 9, 1977	Louetto Construction, Inc.	2,886,000
Chauncy I. Jerabek Elementary School	June 16, 1977	Nielsen Construction Co.	3,028,253
Mission Bay and Kearny High School Career Centers	June 23, 1977	G. L. Cory, Inc.	1,792,486

the previously named construction firms for construction of Project Phase III facilities in accordance with plans and specifications prepared by consulting architects and approved by the District. The Office of State Architect has approved the plans and specifications for the Project Phase III facilities and has certified their conformance to fire, safety, and earthquake structural safety standards. Completion of all facilities is expected by November 1, 1978.

Contractors for Project Phase III facilities will furnish 100% faithful performance and 100% labor and materialmen's bonds. The contractors are also required to carry insurance under terms of the construction contracts. This insurance includes extended coverage, earthquake, fire, public liability, property damage, and workmen's compensation. The above described insurance is to be provided by the contractors during the construction period and until the facilities have been accepted by the District and the Corporation. The Corporation will provide a title insurance policy in the face amount of the bond issue (\$17,110,000).

The following tabulation shows the estimated cost of Project Phase III and the principal amount of Bonds of Series C to be issued by the Corporation.

**San Diego Unified School District
Public School Building Corporation
Bonds of Series C Requirement**

Construction per bids:	
a. Vista Grande Elementary School	\$ 2,620,735
b. Doyle Elementary School	3,022,000
c. Farb Elementary School	2,886,000
d. Jerabek Elementary School	3,028,253
e. 2 Career Centers	1,792,486
	<hr/>
	\$13,349,474
Construction Contingency at 3½ % ..	460,500
	<hr/>
Subtotal	\$13,809,974
Financing Consultant and Costs of Issuance	50,000
Legal fees, legal printing, security qualification costs	50,000
Title Insurance	20,000
	<hr/>
Subtotal	\$13,929,974
Funded interest (22 months at 6½ %)	2,038,941
Reserve Fund	1,519,950
	<hr/>
Subtotal	\$17,488,865
Less investment income at 4½ % on construction fund, reserve fund, funded interest	378,865
	<hr/>
Bonds of Series C Requirement	\$17,110,000

Doyle Elementary School to be financed by the currently offered Series C Bonds.



DISTRICT ORGANIZATION AND FINANCIAL DATA

Organization

The information contained herein concerning the San Diego Unified School District is included because the District is the proposed lessee of Project Phase III. However, the Series C Bonds are bonds of the Corporation and are not a debt or obligation of the District.

The San Diego Unified School District provides elementary and secondary school educational services to residents of a 196 square-mile area that includes most of the City of San Diego and a small adjoining unincorporated area. The City of San Diego, founded in 1769, is the oldest city in the State of California. The District has operated as a unified school district under the Laws of the State of California continuously since 1936. The District is governed by an independent Board of Education of five members who are elected at large for overlapping four-year terms. The Superintendent, who is appointed by the Board of Education, administers the District's affairs in accordance with policies of the Board of Education. The present superintendent, Dr. Thomas L. Goodman, has served the District in this capacity since 1971. Dr. Goodman has had more than 22 years of professional experience in public education and administration.

Dr. Goodman is directly assisted by Mr. Charles T. Glenn, Deputy Superintendent for Administration, and Dr. Ralph Patrick, Deputy Superintendent for Operations. See "The Project" section of this Official Statement for a listing of various other administrative personnel.

Facilities and Attendance

The District's facilities include 123 elementary schools, 19 junior high schools, 12 senior high schools, 2 junior-senior high schools, 3 continuation

schools, 33 pre-school children centers, and 5 special education centers. The 1976/77 budget, which exceeded \$249,000,000, provided for the employment of 5,813 full-time certificated, 3,661 full-time classified, 414 administrative, and 5,400 part-time certificated and classified employees. The District's enrollment as of October, 1976 totaled 122,184. Table 3 on page 22 shows District assessed valuations (1977/78 preliminary), average daily attendance, and assessed valuation per student in average daily attendance since 1972/73. These data indicate the District's assessed valuation increased approximately 78.8 percent and assessed valuation per unit of average daily attendance increased approximately 86.4 percent over this period. Average daily attendance of 124,404 in June, 1977 represents a decrease of approximately 3.8 percent since 1972/73.

Assessed Valuations

The San Diego County Assessor assesses property for District tax purposes. District taxes are collected by the County Treasurer at the same time and on the same tax rolls as are city, county and special district taxes. Taxes on the secured roll are payable in two installments on November 1 and February 1, and become delinquent on December 10 and April 10, respectively. Unsecured roll property taxes are payable March 1, and become delinquent the following August 31.

The State Board of Equalization reports the 1976/77 San Diego County valuations averaged 25.1 percent of full market value, except for public utility property, which is assessed by the State at 25 percent of full value.

Under California law, two types of exemptions of property from ad valorem taxes became effective in the 1969/70 fiscal year. One exempts 50 percent of

the value of business inventories from ad valorem taxes. The other provides for an exemption of \$1,750 of the assessed valuation of an owner-occupied dwelling if the owner files for the exemption. Under a Constitutional Amendment, the California Legislature can raise the exemption. Revenue estimated to be lost to each taxing entity as a result of such exemptions is fully reimbursed to the taxing entity from state funds. The reimbursement is based upon total taxes which would be due on the assessed valuation

of the property qualifying for these exemptions, without allowance for tax collection delinquencies.

In 1976/77, District homeowners' and business inventory exemptions totaled \$272,508,533. Table 4 shows a five-year history of the District's assessed valuations by the tax roll prior to deductions for the two previously discussed special exemptions. Table 5 on page 23 presents the District's 1976/77 assessed valuation of tax roll before and after the exemptions..

Table 3

SAN DIEGO UNIFIED SCHOOL DISTRICT

Assessed Valuation and Average Daily Attendance

Fiscal Year	Assessed Valuation	Average Daily Attendance ^①	Assessed Valuation Per Unit Average Daily Attendance
1972/73	\$1,786,000,013	129,338	\$13,809
1973/74	2,017,626,550	127,341	15,844
1974/75	2,282,975,632 ^②	126,360	18,067
1975/76	2,520,473,747 ^②	125,815	20,033
1976/77	2,863,981,313 ^②	124,404 ^③	23,022
1977/78 (estimated)	3,192,427,063 ^②	124,000	25,745

① Includes summer enrollments.

② Net after adjustment for redevelopment agency increment.

③ As of June, 1977.

Sources: San Diego County Auditor and Controller (Assessed Valuations), and San Diego Unified School District (Average Daily Attendance).

Table 4

SAN DIEGO UNIFIED SCHOOL DISTRICT

Assessed Valuations by Tax Roll

Tax Roll	1972/73	1973/74	1974/75	1975/76	1976/77
Secured roll	\$1,438,932,814	\$1,639,532,682	\$1,873,503,429	\$2,066,952,798	\$2,367,828,174
Unsecured roll	238,680,799	266,031,948	295,263,013	330,608,329	360,045,909
Utility roll	108,386,400	112,061,920	114,209,190	122,912,620	136,107,230
Total	\$1,786,000,013	\$2,017,626,550	\$2,282,975,632 ^①	\$2,520,473,747 ^①	\$2,863,981,313 ^①

① Net after adjustment for redevelopment agency increment.

Source: San Diego County Auditor and Controller.

Table 5**SAN DIEGO UNIFIED SCHOOL DISTRICT****1976/77 Assessed Valuation^①**

Tax Roll	Taxable Assessed Valuation	Homeowner Exemptions	Business Inventory Exemptions	Assessed Valuation for Revenue Purposes
Secured	\$2,154,546,080	\$203,157,650	\$12,146,247	\$2,369,849,977
Unsecured	311,221,432	428,130	56,766,946	368,416,508
Utility	136,002,440	—0—	9,560	136,012,000
Total	\$2,601,769,952	\$203,585,780	\$68,922,753	\$2,874,278,485

^① Not adjusted for redevelopment agency increment which would reduce the total assessed valuation for revenue purposes by \$10,297,172. See table 4.

Source: San Diego County Auditor and Controller.

The San Diego County Auditor and Controller reports that the District's preliminary 1977/78 assessed valuation after adjustment for the redevelopment agency increment is \$3,192,427,063 which includes: secured roll of \$2,659,203,438; unsecured roll of \$397,116,395 and the 1976/77 utility roll of \$136,107,230. The final assessed valuation and 1977/78 utility roll will not be available before mid-August of 1977.

Revenue Limitations

Since 1973/74, California school districts have operated under general purpose property tax revenue limitations established in legislation adopted in 1973. Since 1973 allowable annual general purpose tax rates to be applied to a district's assessed valuation have been derived from a statutory formula which takes into account a number of factors including adjustments for inflation, limited mandatory contributions to the Teachers' Retirement System, basic state aid, state equalization aid, changes in average daily attendance, and prior years tax collections. The tax required to raise the general purpose moneys is the District's maximum general purpose tax rate.

The District's revenue limit per unit of average daily attendance and general purpose tax rate in 1975/76 were: \$994.28 and \$3.837, respectively.

In 1976/77, the revenue limit per unit of average daily attendance was \$1,097.36 with a general purpose tax rate of \$3.862.

See the subheading "Litigation" in "The Bonds" section of this Official Statement for a discussion of the impact of the California Supreme Court decision in *Serrano v. Priest* on California school districts, including the District.

On November 5, 1974, voters of the District approved a measure to increase the District's revenue limit per unit of average daily attendance by \$24 for a five-year period beginning in 1975/76 for purposes of land acquisition, installation of intrusion alarm equipment at District schools, the removal of site deficiencies, and modification of existing facilities.

Tax Rates

Table 6 on page 24 shows the San Diego Unified School District tax rate for the past five-year period. The District's total tax rate during this period has ranged from a high of \$4.848 (1975/76) to a low of \$4.536 (1974/75).

There are 56 Tax Code Areas in the District. The 1976/77 tax rates within these Code Areas ranged from a high of \$10.652 to a low of \$8.058. Tax Code Area 8001 (1976/77) assessed valuation of \$2,277,177,524) represents 79.5 percent of the District's 1976/77 assessed valuation. Total tax rates per \$100 assessed valuation in this Tax Code Area for the past five years are shown in Table 7 on page 24.

Table 6
SAN DIEGO UNIFIED SCHOOL DISTRICT
Property Tax Rates

	1972/73	1973/74	1974/75	1975/76	1976/77
General Non-Categorical	\$4.185	\$4.015	\$3.818	\$3.837	\$3.862
Bond Interest and Redemption .....	.377	.291	.253	.251	.175
Other Categorical ^① .....	.256	.328	.465	.760	.712
Total	\$4.818	\$4.634	\$4.536	\$4.848	\$4.749

① Earthquake safety; meals for needy; community services; State School Building loan repayment; child development; development center; voter-approved modifications of existing facilities (initially effective in 1975/76); and eligible equipment, site acquisition, site preparation, preparation of plans and specifications, and lease-rental payments for voter-approved facilities (initially effective in 1975/76).

Source: San Diego Unified School District.

Table 7
TAX CODE AREA 8001
Property Tax Rates

Entity or Purpose	1972/73	1973/74	1974/75	1975/76	1976/77
San Diego County	\$ 2.711	\$2.711	\$2.691	\$ 2.621	\$2.282
City of San Diego	1.774	1.753	1.753	1.733	1.548
San Diego Unified School District	4.818	4.634	4.536	4.848	4.749
Other Educational Purposes .....	.803	.831	.853	.828	.778
Total	\$10.106	\$9.929	\$9.833	\$10.030	\$9.357

Source: San Diego County Auditor-Controller.

Tax Levies, Collections, and Delinquencies

School District secured taxes appear on the same tax bill as County and City taxes, are payable in equal installments on November 1 and February 1, and become delinquent on December 10 and April 10, respectively. Taxes on properties appearing on the unsecured roll are assessed on March 1 and become delinquent the following August 31. Table 8

on page 25 summarizes the general purpose secured tax levies and the amount and percentage of the levy delinquent as of June 30 for the past five fiscal years in the District's tax code areas. The Table also provides the total collections in each of the last 5 fiscal years. The 1976/77 collections are not yet available. During this period the rate of current year tax delinquency averaged 1.86 percent (three year average 2.54%).

Table 8**SAN DIEGO UNIFIED SCHOOL DISTRICT¹****Secured Tax Levies, Collections, and Delinquencies**

Fiscal Year	Secured Tax Levy	Amount Collected (June 30)	Amount Delinquent (June 30)	Percent Delinquent (June 30)	Total Collections (June 30) ①	Percent Collected
1971/72	\$57,683,653	\$57,241,299	\$ 442,354	0.77%	\$57,772,572	100.15%
1972/73	65,642,595	65,064,206	578,389	0.88	65,953,517	100.47
1973/74	67,348,542	65,882,564	1,465,978	2.18	67,525,394	100.26
1974/75	76,176,542	74,329,163	1,847,379	2.43	75,445,351	99.04
1975/76 (as of June 15, 1976)	89,315,873	86,618,635	2,697,238	3.02	87,132,089	97.6

① Includes prior years' redemptions, penalties, and interest on secured roll.

Source: San Diego County Auditor and Controller.

Large Taxpayers

Some of the largest taxpayers in the District are listed below, as reported by the San Diego County Auditor and Controller.

Taxpayer	Product or Service	1976/77 Assessed Valuation①
Pacific Telephone	Utility	\$66,285,660
San Diego Gas & Electric	Utility	58,262,630
Solar Corp.	Manufacturer (gas turbines)	13,818,350
General Dynamics Corp.	Manufacturer (aerospace)	9,664,200
Copley Press, Inc.	Publisher	9,511,942
General Atomic Co.	Research (nuclear power systems)	8,776,700
El Portal Realty Co.	Real estate	6,998,500
Pardee Construction Co.	Developer	5,576,677
Prudential Insurance Co.	Insurance	3,043,750
Plaza Holding Co.	Holding company	2,369,200

① Including the homeowner's and business inventory exemptions.

General Fund Income and Expenditures

Table 9 on page 26 presents a four-year summary of income and expenditures of the San Diego Unified School District as reported in Annual Budget Reports (Form J-41) of the District. Also included in Table 9 are the annual expenditure budgets and the variation of these budgets to budget appropriations

as of June 30 of the respective years. The income and expenditures for 1976/77 are not yet available.

Beginning in 1974/75 all school districts in the State of California were required to follow accounting and financial reporting procedures in accordance with revenue source categories and expenditure object code classifications prescribed by the California

State Accounting Manual. Certain school district expenditure items prior to 1974/75 cannot, therefore, be directly compared with subsequent years.

The tabulations in Table 10 on page 27 show a summary of the District's 1975/76 actual income and expenditures as shown in the Annual Budget Report (Form J-41), and a summary of the Dis-

trict's 1976/77 general fund budget. The 1977/78 budget is in the process of being developed.

Fund Balances

A summary of the District's fund balances as of June 30 for each of the past four years for which figures are available is presented on page 27.

Table 9

SAN DIEGO UNIFIED SCHOOL DISTRICT

Summary of General Fund Income, Expenditures and Transfers

	1972/73	1973/74	1974/75	1975/76
Beginning Balance①	\$ 6,741,668	\$ 7,023,548	\$ 12,609,344	\$ 8,892,141
Income				
Federal Income	\$ 13,846,437	\$ 14,818,113	\$ 18,404,445	\$ 20,045,191
Federal and State Income	610,245	2,344	—0—	—0—
State Income	38,576,593	49,578,519	52,212,216	56,129,721
County Income	942,442	1,110,169	1,548,734	1,874,486
Property Taxes	74,787,303	74,628,720	82,960,464	100,023,024
Other Local Income	1,535,526	2,745,325	4,674,098	5,709,561
Incoming Transfers	—0—	—0—	13,244	19,150
Total Income	<u>\$130,298,546</u>	<u>\$142,883,190</u>	<u>\$159,813,201</u>	<u>\$183,801,133</u>
Total Income Available	<u>\$137,040,214</u>	<u>\$149,906,738</u>	<u>\$172,422,545</u>	<u>\$192,693,274</u>
Expenditures				
Certificated Salaries	\$ 85,209,800	\$ 88,515,454	\$ 97,959,249	\$104,536,670
Classified Salaries	20,723,673	21,198,099	25,395,333	29,326,174
Employees Benefits	9,895,750	10,759,724	13,395,680	16,124,019
Books, Supplies and Equipment				
Replacement	5,588,921	5,214,933	7,754,622	7,371,896
Contracted Services and Other Operating				
Expenses	4,194,442	5,402,986	6,600,828	7,436,339
Sites, Buildings, Books and Media, and				
Equipment	3,068,131	3,851,904	6,050,071	9,790,547
Other (including Transfers)	1,335,949	2,354,294	6,374,621	4,521,606
Total Expenditures	<u>\$130,016,666</u>	<u>\$137,297,394</u>	<u>\$163,530,404</u>	<u>\$179,107,251</u>
Budget Appropriations June 30	<u>\$139,625,729</u>	<u>\$147,193,893</u>	<u>\$174,296,740</u>	<u>\$193,001,608</u>
Variance to Actual Expenditures	\$ 9,609,063	\$ 9,896,504	\$ 10,766,336	\$ 13,894,357
Ending Balance June 30①	<u>\$ 7,023,548</u>	<u>\$ 12,609,344</u>	<u>\$ 8,892,141</u>	<u>\$ 13,586,023</u>

① Does not include stores inventory.

Source: Annual Budget Report (Form J-41), July 1 to June 30, adopted by the Governing Board of the District for individual years.

Table 10**SAN DIEGO UNIFIED SCHOOL DISTRICT****General Fund Income and Expenditures**

	1975/76 Actual	1976/77 Budget
Beginning Balance	\$ 8,892,141	\$ 13,586,023
Revenues		
Federal Income	20,045,191	16,861,555
State Income	56,129,721	46,626,658
County Income	1,874,486	2,239,019
Property Taxes	100,023,024	127,033,072
Other Local Income	5,709,561	710,000
Incoming Transfers	19,150	—0—
Total Income	\$183,801,133	\$193,470,304
Total Revenues Available	\$192,693,274	\$207,056,327
Expenditures		
Certificated Salaries	\$104,536,670	\$111,906,195
Classified Salaries	29,326,174	30,536,984
Employee Benefits	16,124,019	20,184,671
Books, Supplies and Equipment Replacement	7,371,896	8,633,145
Contracted Services and Other Operating Expenses	7,436,339	12,520,769
Sites, Buildings, Books and Media, and Equipment	9,790,547	19,435,275
State School Building Loan Repayment, ROP and Exceptional Child Tuition, and Interfund Transfers	4,521,606	1,734,638
Total Expenditures	\$179,107,251	\$204,951,677
Ending Balance June 30	\$ 13,586,023	\$ 2,104,650①

① Contingency and Ending Balance. The District estimates that the contingency and ending balance exceeded \$9,000,000 on June 30, 1977.

Source: Annual Budget Report (Form J-41), July 1, 1976 to June 30, 1977, adopted by the Governing Board of the District on August 9, 1976.

Fund Balance as of June 30

Name of Fund	1972/73	1973/74	1974/75	1975/76
General Fund	\$7,023,548	\$12,609,344	\$ 8,892,141	\$13,586,023
Bond Interest and Redemption Fund	5,097,163	4,591,797	4,658,073	4,741,177
Building Fund	179,163	906,972	747,942	3,441,061
Special Reserve Fund	—0—	—0—	55,805	62,556
State School Building Fund	3,184,270	2,754,309	21,340,785	7,987,526
Child Development Fund	367,735	1,381,357	2,065,031	1,457,306
Development Center Fund	92,232	492,694	55,839	167,324
Retirement Trust Fund	2,412,347	2,324,772	2,114,127	2,046,347
Special Trust Fund	149,444	218,970	97,125	163,619
Cafeteria Fund	1,068,743	1,236,390	1,436,554	1,521,211

Source: Annual Budget Report (Form J-41), July 1 to June 30, adopted by the Governing Board of the District for individual years.

Employer-Employee Relations

Until July 1, 1976 the District operated under the Winton Act which required that the District "meet and confer" in good faith with its certificated employees concerning matters of employer-employee relations. In the fall of 1974 the Legislature enacted a public school employee collective bargaining law known as the Rodda Act which became effective in stages on January 1, 1976, April 1, 1976 and July 1, 1976. This law provides that employees are to be divided into appropriate bargaining units which are to be represented by an exclusive bargaining agent.

The teachers and related certificated employees of the District have, as a result of an election held on February 4, 1977, selected the San Diego Teachers Association as their exclusive bargaining agent. Negotiations with the San Diego Teachers Association for a contract covering the next school year are presently in progress. The San Diego Teachers Association called a 4-day strike from June 6 through 9, 1977. During this time all schools remained open. On June 6, 1977, a temporary restraining order ordering teachers to return to work was issued and on June 8, 1977, a preliminary injunction to the same effect was issued. It is not possible at this time to predict the course of these negotiations, including whether any further strikes or work stoppages may occur, or the cost to the District of any contract which may result.

The security employees of the District have selected as their exclusive bargaining agent the San Diego City Schools Police Officers Association.

The Classified Employees Association has been selected as the exclusive bargaining agent for the Office-Technical and Business Services Unit. The Operations-Support Services Unit exclusive bargaining agent will be determined by an election to be held in the fall.

Pension Plans

The District participates in the State of California Teachers' Retirement System (STRS). This plan covers basically all full-time certificated employees. The District's contribution to STRS for fiscal year 1976/77 amounted to an estimated \$7,147,939, which included both current costs and backfunding.

The District also participates in the State of California Public Employees' Retirement System (PERS). This plan covers all classified personnel who are employed at least 50 percent of the work-

week. The District's contribution to PERS for 1976/77 is estimated at \$2,950,711, including current costs and backfunding.

Both systems are operated on a statewide basis. Records are maintained in such a way that information relating to vested benefits, unfunded vested benefits, and prior service costs are not available for the District.

The State Teachers' Retirement System (STRS) operates under provisions of the State Education Code. The System includes California public teachers from preschool through grade fourteen and certain other employees of the public school system. There were approximately 331,200 active and inactive members and 64,800 benefit recipients at June 30, 1976. Membership is mandatory for all certificated employees meeting the eligibility requirements.

The System is financed by earnings from investments and contributions from members, school districts, and the State of California, which pays \$144,300,000 annually to the year 2002, subject to annual legislative appropriation. Members contribute 8% of applicable earnings, and school districts contribute a percentage of applicable member earnings, rising to a maximum of 8% beginning July 1, 1978.

As of June 30, 1976, the net unfunded obligation of the System was estimated to be \$7,843,527,561, based on a projection of the \$7,457,041,757 net unfunded obligation determined in the June 30, 1975 periodic actuarial valuation. According to the actuarial report, combined contribution rates of members and school districts (16% at July 1, 1978) are insufficient to realize adequate funding. Any revision to the existing financing structure can be accomplished only through a change in the State Teachers' Retirement Law.

Actuarial valuations of the System are based upon the entry-age-normal cost method, which is a projected benefit cost method wherein level normal cost rates (contributions) are computed sufficient to fund benefits over the entire service life of members. The Systems' financial statements are prepared on the accrual basis of accounting.

The State Teachers' Retirement System's actuary is Milliman and Robertson, Inc., of San Francisco, California; Investment Counsel for equities is B A Investment Management Company, San Francisco, California; auditor is Coopers and Lybrand, Sacramento, California.

State Public Employees' Retirement System. This system was originally established in 1931. As of June 30, 1975, there were 535,786 members, of whom approximately 10% are classified as "safety" members (principally fire and police duties) and the balance are classified as "miscellaneous" members (management, administrative, staff, operational and clerical employees).

Approximately one-third of the members are state personnel and the balance are public agency personnel. As of June 30, 1975, the System provided retirement, death and survivor benefits under 901 contracts for about 1,900 public agency employers (cities, counties, school districts, and other public agencies) with 356,517 members. The System's funding is by employer and employee contributions together with investment income. Contributions fluctuate yearly depending on the number of members and their respective salary schedules.

Total assets of the System at June 30, 1975 were \$7,010,807,246, according to the annual audit. Of this amount, net assets of \$6,966,356,482 were available for benefits. The annual contribution by the State of California for the 1974 and 1975 fiscal years, as reported by the State Controller, was \$162,649,578 and \$231,057,854, respectively.

The unfunded obligation of the System was determined to be \$5,723,459,587 at June 30, 1975 by the independent auditors. This represents the present value of future state contributions and other member contributions. This amount of the respective unfunded liabilities will vary from time to time depending upon the actuarial assumptions utilized, rates of return and salary scales. The present System policy is designed to satisfy the unfunded obligation by the year 2000 (source: Retirement System).

The System's financial statements are prepared on an accrual basis of accounting and the System's auditor is Coopers and Lybrand, Sacramento, California. Citicorp Investment Management, Inc., San Francisco, provides investment advisory services. The System's actuarial activities are conducted internally on a continuous basis, with an experience analysis being conducted no less than every four years. This function is now the responsibility of Benefit Technology, Santa Clara, California, which is expected to perform an actuarial valuation in 1977.

Bonding Capacity and Debt Statement

The State of California Education Code provides that a unified school district shall not enter into any

long term leases of buildings if the combination of: (a) 50 percent of the District's rental payments under such leases, plus (b) the outstanding district general obligation bonded indebtedness, exceeds 12.5 percent of the district's net taxable assessed valuation plus homeowners' and business inventories exemptions.

Based on the District's preliminary 1977/78 assessed valuation for this purpose as adjusted by the redevelopment agency increment (\$3,192,427,063) the 12.5 percent limit on the currently outstanding lease rental and general obligation bonded debt equals \$399,053,382.

Fifty percent of the District's aggregate rental payment obligations (including additional rental) resulting from the issuance of the Corporation's Series A Bonds totals \$38,516,720. Fifty percent of the District's aggregate rental payment obligations (including additional rental) resulting from the issuance of the Corporation's Series B Bonds total \$32,664,024. The estimated fifty percent of the District's aggregate rental payment obligations (including additional rental) from the Series C issue currently being offered and the proposed Series D issue total \$16,029,930 and \$15,342,600, respectively. The tabulation below shows that fifty percent of the District's estimated lease rental obligations plus general obligation bonded debt will approximate 33.5% of the District's general obligation bonded debt and lease rental limitation.

DISTRICT OBLIGATIONS

August 23, 1977

	Amount
General Obligation Bonds Outstanding	\$ 30,996,025
Fifty-Percent of Aggregate Lease Rentals	
a. Project Phase I Facility Lease ..	\$ 38,516,720
b. Project Phase II Facility Lease .	32,664,024
c. Estimated Project Phase III Facility Lease	16,029,930
d. Estimated Phase IV Facility Lease	15,342,600
Total	\$133,549,299

The direct and estimated overlapping bonded debt of the District, based on the 1976/77 assessed valuation, is shown in Table 11 on page 30. The \$37,250,000 principal amount of the Corporation's

Table 11

SAN DIEGO UNIFIED SCHOOL DISTRICT

Statement of Direct and Estimated Overlapping Bonded Debt^①

Estimated Population	700,000	
1976/77 Assessed Valuation (after adjustment for the redevelopment increment)	\$ 2,863,981,313 ^②	
Estimated Real Value	\$11,412,000,000 ^③	

Public Entity	Percent Applicable	Estimated Debt Applicable August 23, 1977
San Diego County	44.692%	\$ 1,367,575 ^④
San Diego County Building Authorities	44.692	12,183,039
San Diego County Water Authority	46.948	24,948,167
Metropolitan Water District	6.343	33,884,416
San Diego Community College District	100.	5,408,000
San Diego Unified Port District	76.448	27,544,214 ^⑤
San Diego Unified School District (1957-60A Issues)	99.928-99.989	6,753,525
San Diego Unified School District (Subsequent Issues)	100.	114,152,500 ^⑥
Other School Districts	Various	159,668
City of San Diego	89.844	35,086,777 ^⑦
City of San Diego Building Authorities	89.844	23,494,206
Other Cities and Special Districts	Various	6,946,887
TOTAL GROSS DIRECT AND ESTIMATED OVERLAPPING BONDED DEBT		\$291,928,974
Less: Bonds paid by water revenues		58,625,111
City water bonds		1,459,030
San Diego Unified Port District (100% self-supporting)		27,544,214
TOTAL NET DIRECT AND ESTIMATED OVERLAPPING BONDED DEBT		\$204,300,619

	Ratio to		
	Assessed Valuation	Real Value	Per Capita
Assessed valuation	—	—	\$4,091
Direct debt (\$120,906,025)	4.22%	1.06%	173
Net direct and estimated overlapping bonded debt	7.13	1.79	292

① Prepared in cooperation with California Municipal Statistics Inc.

② Includes homeowners' and business inventory exemptions of \$272,508,533.

③ The State Board of Equalization reports that 1976/77 assessed valuations in San Diego County averaged 25.1 percent of full market value. Public utility property (\$136,107,230) is assessed by the State Board of Equalization at 25 percent of market value.

④ Excludes share of \$6,070,500 San Diego County (\$2,713,028).

⑤ Excludes advance refunding bonds.

⑥ Excludes \$28,300,000 advance refunding bonds sold on June 14, 1977. Includes \$37,250,000 1975 Series A Bonds, \$35,000,000 1975 Series B Bonds and the currently offered \$17,110,000 Series C Bonds of the Corporation which are not a debt of the District but are included here for informational purposes only.

⑦ Excludes share of \$12,824,159 City of San Diego Community Concourse Bonds (\$11,521,737).

Bonds of Series A, \$35,000,000 Bonds of Series B and the currently offered \$17,110,000 Bonds of Series C are shown for informative purposes only since bonds of the Corporation are not a debt or obligation of the District.

The District's share of authorized and unsold bonds are: \$23,151,950 Metropolitan Water District and \$3,634,895 City of San Diego Penasquitos Sewer District Bonds. State School Building aid repayable as of June 30, 1976 was \$21,114,516.

Other Indebtedness

The District has payable to the State of California Pre-Field Act Construction Loans amounting to \$25,988,097. These moneys (approved by the Office of Local Assistance on a project by project basis) are being used by the District to conform existing facilities to the earthquake safety standards mandated by the State. The first project loans commenced in 1973/74. Loan payback is twenty years with District obligations extending through the 1998/99 fiscal year.

Education Code Section 16335 permits the District to levy a permissory tax of 35¢ per \$100 assessed valuation to pay off the loan. The annual loan payments are made in twenty equal installments and commence in the second fiscal year after the apportionment is made by the state. The amount of payment in each year reflects the aggregate apportionments made in the fiscal year two years prior.

The District obligation for loan repayment to the State was \$440,000 in 1976/77 and will be \$1,650,000 in 1977/78.

The District is also leasing with the option to buy from the United California Bank a computer and a data system. The lease payments follow:

District Lease Purchase Arrangements

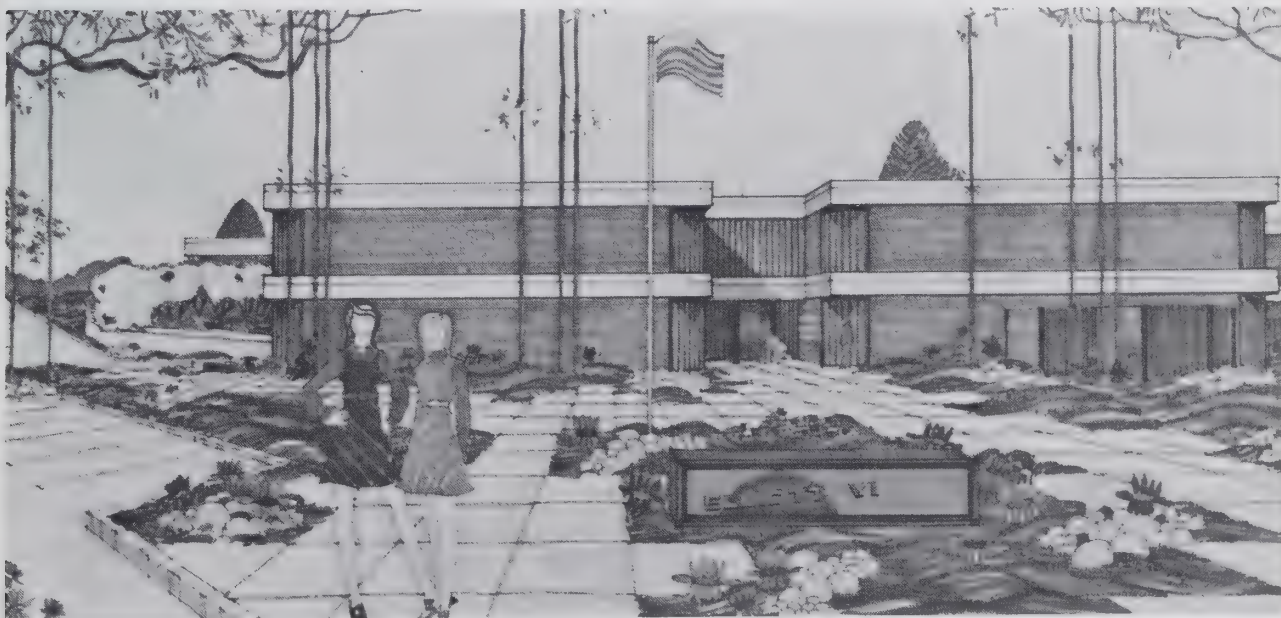
COMPUTER

Lease Payment Date	Amount
7/1/78	\$188,906
7/1/79	188,906
7/1/80	79,358
Total	\$457,170

DATA SYSTEM

Lease Payment Date	Amount
10/1/77	\$ 14,656
10/1/78	14,656
10/1/79	14,656
10/1/80	14,656
Total	\$ 58,624

Vista Grande Elementary School to be financed by the currently offered Series C Bonds.



ECONOMY OF THE DISTRICT

The San Diego Unified School District provides elementary and secondary grade school services for most of the City of San Diego (approximately 90 percent of the City's assessed valuation lies within the District), and a small adjoining unincorporated territory. This portion of the Official Statement is therefore concerned primarily with the City of San Diego, which contains nearly half the total population of San Diego County. Metropolitan San Diego is discussed in a separate section.

City of San Diego

The City of San Diego is located 125 miles south of Los Angeles, 525 miles south of San Francisco and 17 miles north of the Mexican border. It grew out of the first California mission—Mission San Diego de Alcala—founded in 1769. The city was incorporated in 1850, the year California entered the Union. San Diego is a chartered city with the Council-Manager form of government.

The city covers approximately 389 square miles (including 72 square miles of water) in the south-western coastal area of San Diego County. City limits extend to the Mexican border around (into the Pacific Ocean) and through the communities of Chula Vista, National City, and Imperial Beach. The city ranks ninth among the nation's largest cities in terms of population. Elevations range from sea level to 1,592 feet.

Population

In April 1975 a special countywide census was undertaken by the California Department of Finance. The city's population was reported to be 770,344, a gain of 10.5 percent over the 1970 U.S. Census. As of January 1, 1977 the same agency estimated a population of 797,200 for the city. The city's population more than doubled between 1950 and 1970, with almost two-thirds of the net increase occurring in the decade of the fifties. U. S. Census tabulations from 1940 through 1970 for the City of San Diego and San Diego County are shown at the bottom of the page.

Housing

The 1970 Census of Housing reported 240,976 year-round dwelling units in the city. Sixty-five percent were single family structures with owner-occupied homes valued at a median of \$22,500. Median rent was \$113 per month.

Since the 1970 Census, new residential construction has favored multiple units by a considerable margin. The 1975 Special Census reported 289,803 housing units in the city, an increase of 48,827 over the total in the 1970 Census. In 1975, about 61 percent of all dwelling units were single-family homes and 38 percent were multiple units. Approximately 54 percent of all housing units were owner-occupied. The median rent was \$168 per month.

Population Census Data

U.S. Census	City of San Diego	Percent Change	County of San Diego	Percent Change
1940	203,341	—	289,348	—
1950	334,387	64.4%	556,808	92.4%
1960	573,224	71.4	1,033,011	85.5
1970	697,027	21.6	1,357,854	31.4

Income

In the 1975 Census median household income was computed by major statistical areas and subregional areas utilized by the San Diego County Integrated Planning Office in demographic studies. In those statistical areas served by the District, median household income ranged from lows of \$6,665 in Central San Diego and \$8,141 in Midcity to highs of \$17,021 in northeast San Diego and \$17,169 in the University area in and around La Jolla, an area with a high percentage of professional and research people.

The tabulation at right provides a breakdown of household income by income class in two subregional areas of San Diego County which embrace most of the District. In the Central Area, which includes downtown San Diego and the Peninsula, approximately 22 percent of families surveyed realized annual incomes of \$15,000 or more. In the suburban areas collectively termed North City, the proportion of households in this income classification rose to more than 45 percent.

CITY OF SAN DIEGO

Household Income by Income Class

1975 Special Census

Income Class	Number of Households	
	Central ^①	North City ^①
To \$9,999	61,864	26,291
\$10,000-14,999	19,831	20,683
15,000-19,999	10,201	16,305
20,000-24,999	7,333	11,264
25,000-39,999	3,782	8,598
40,000 and more	1,452	3,078
	104,463	86,219

^① Subregional areas which together cover most of the District.

Source: San Diego County Integrated Planning Office.

METROPOLITAN SAN DIEGO

Wage and Salary Employment^①

(000 omitted)

	Annual Averages				
	1972	1973	1974	1975	1976
Construction	27.1	29.0	24.6	22.8	26.5
Manufacturing (durables)	52.3	56.3	61.1	57.1	56.6
Manufacturing (nondurables)	14.4	15.3	15.8	14.9	15.5
Transportation, utilities	21.6	22.3	22.6	22.5	22.9
Trade (wholesale)	14.3	16.2	17.1	17.2	18.0
Trade (retail)	77.9	84.3	86.8	90.9	96.5
Finance, insurance, real estate	22.7	24.5	25.0	24.6	26.2
Services	82.5	90.1	95.0	97.5	101.5
Government (federal)	34.5	35.5	37.6	39.2	39.0
Government (state and local)	75.5	78.3	80.7	87.6	90.1
Other non-agricultural .....	.8	.8	.8	.8	.8
Total non-agricultural	423.6	452.6	467.1	475.1	493.6
Agriculture	11.1	12.4	13.2	13.8	13.5
Total wage and salary employment	437.7	465.0	480.3	488.9	507.1

^① Employment by place of work.

Source: California Department of Employment Development.



Panoramic view of San Diego Skyline from the Shelter Island Recreational Area.

Employment

The State Department of Employment Development compiles employment data on a county basis. In May 1977 (latest data available), the total civilian labor force in San Diego County was 661,900 and total civilian employment was 595,500. Both levels were increases over the same month of 1976. The unemployment rate (unadjusted) was 10 percent, compared with 11.8 percent the previous May. The employment figure for May was the highest ever reported for the county, and was 18,200 higher than the same month of 1976.

Government employees in San Diego account for over 26 percent of all non-farm wage and salary workers, with state and local government payrolls comprising the bulk of employment in this category. The next most important sources of jobs are services (20.5%), retail trades, and manufacturing, in that order.

Average annual wage and salary employment by industry in San Diego County is shown in the tabulation at the bottom of page 33. As reflected in this summary, largest job gains since 1972 have occurred in services, retail trade, and state and local government.

Those establishments in the county with 500 or more employees are shown on page 36.

Industry

There are over 1,300 manufacturing firms in the San Diego Metropolitan Area. Leading industries are transportation equipment, nonelectrical machinery, and electrical equipment. These three industries account for over 60 percent of employment and payrolls and generate wages and salaries exceeding half a billion dollars annually in the San Diego labor market.

Important individual industries within the above major categories are aircraft and parts, ship building and repair, office and computing machines, communication equipment, and electronic components. Other important job-producing industries in San Diego are fabricated metal products, printing and publishing, instruments, and food products. A summary of industrial employment and payrolls in San Diego County for 1975 appears in the accompanying tabulation. San Diego has available land and appropriate zoning for expansion of industry. Within the city limits are 14 industrial parks of 25 acres or more.

Major employers in the San Diego area shown on page 36 include General Dynamics, National Steel and Shipbuilding Company, Rohr Industries, Solar Division of International Harvester Co., and Cubic Corporation.

SAN DIEGO COUNTY

Manufacturing Employment and Payrolls 1975

Industry	Number of Employers	Number of Employees ^①	Annual Wages
Food products	77	3,771	\$ 44,157,493
Apparel	62	3,658	22,016,346
Wood products	56	558	5,231,596
Furniture and fixtures	44	671	6,142,527
Printing and publishing	234	4,772	55,793,136
Chemicals	33	1,120	14,753,397
Stone, clay, glass	49	881	11,965,598
Primary metals	13	777	9,463,337
Fabricated metal products	115	4,635	72,838,671
Nonelectrical machinery	162	10,167	133,188,744
Electrical equipment	133	9,602	114,407,964
Transportation equipment	111	24,568	337,655,158
Instruments	67	3,249	34,087,891
Miscellaneous and Other	160	2,493	22,627,195
Totals	1,316	70,928	\$884,329,053

① Annual average.

Source: *California Employment and Payrolls*, State Department of Employment Development. The report covers all employers submitting reports under Unemployment Insurance and associated programs.

METROPOLITAN SAN DIEGO MAJOR EMPLOYERS

500 or More Employees

5,000 and over

General Dynamics/Convair
National Steel & Shipbuilding Co.
Pacific Telephone & Telegraph Company
Rohr Industries, Inc.

3,000-4,999

Cubic Corporation
San Diego Gas & Electric Company
Solar (Division of International Harvester)

2,000-2,999

Foodmaker, Inc. (Ralston Purina)
General Atomic Company
NCR Corp., Data Processing Division
Pacific Southwest Airlines
Sears, Roebuck & Company
Teledyne Ryan Aeronautical

1,000-1,999

Atlas Hotels, Inc.
Bank of America
Bechtel Power Corporation
Broadway Department Stores
California First Bank
Consolidated Facility Services, Inc.
Fedmart Corporation
Food Basket, a Subsidiary of Lucky Stores, Inc.
General Dynamics, Electronics Division
The May Company
Mercy Hospital & Medical Center
Montgomery Ward & Company
Naval Electronics Laboratory Center
Naval Undersea Center
J. C. Penney Co.
Safeway Stores, Inc.
San Diego State University
Scripps Clinic and Research Foundation
Servomation Duchess, Inc.
Sony Corporation of America
Stromberg Datagraphix (General Dynamics)
Union-Tribune Publishing Co.
University of California, San Diego
Van Camp Seafood Corporation
Walker Scott Company

500-999

Alpha Beta Acme Markets, Inc.
American Airlines, Inc.

Ametek, Straza Division
Bay General Hospital
Big Bear Super Markets, Inc.
Bullock's
Burroughs Corporation
Campbell Industries
Carrier Boys of America, Inc.
Casa Blanca Convalescent Centers
Children's Health Center
Conic Corporation
Consyne Corporation
Del Mar Thoroughbred Club
Denny's Restaurants
Deutsch Company, E.C.D.
Fotomat Corporation
Grossmont Hospital District
The Handyman Stores
Hewlett Packard Company, San Diego Division
Home Federal Savings & Loan Association of
San Diego
Hotel del Coronado
Hughes Aircraft Co.
K Mart Co.
Kaiser Permanente Medical Care Program
Kelly Services, Inc.
Kentucky Fried Chicken
La Costa Resort Hotel & Spa
Mayfair Markets
McDonald's Corporation
Palomar Memorial Hospital
Paradise Valley Hospital
San Diego Trust & Savings Bank
San Diego Yellow Cabs, Inc.
Scripps Memorial Hospital
Sea World, Inc.
Security Pacific National Bank
Donald N. Sharp Memorial Community Hospital
William Simpson Construction (Dillingham)
The Singer Company, Kearfott Division
Sun Harbor Industries
Thrifty Drug Stores
Tri-City Hospital District
University Mechanical & Engineering
Contractors, Inc.
Vista Hill Psychiatric Foundation
Von's Grocery Company
Zoological Gardens of San Diego

Source: San Diego Chamber of Commerce and San Diego Economic Development Corporation.

General Dynamics Corporation employs nearly 9,000 persons in San Diego at two divisions (Convair Division, Electronics Division) and its Stromberg DatagraphiX Inc. subsidiary. General Dynamics has been involved in the design and development of a space shuttle system with Rockwell International, and is prime contractor for the Cruise missile. The firm has a multi-million dollar contract with McDonnell Douglas Corporation for the manufacturing of fuselage sections for the DC-10.

National Steel and Shipbuilding Co., owned equally by Kaiser Industries and Morrison-Knudsen, builds tankers, freighters, and other large vessels. It has more than 6,000 employees.

Rohr Industries Inc. employs approximately 9,000 people nationally and 5,400 in the San Diego area. Rohr's primary business is building power plants for commercial transport planes. It also builds fuselage sections and cargo doors. The company manufactures rail transit cars, but has announced its intention to drop this business after completing current contractual obligations. Rohr Marine, Inc., a unit of Rohr Industries, won the contract for final design and testing for the Navy's new 3,000-ton Surface Effect Ship (SES).

Solar Division of International Harvester (3,300 employees) produces industrial turbine packages in generator sets, compressors and mechanical drives. Solar is reported to account for nearly half the world market for industrial turbine packages. Solar has constructed a gas turbine manufacturing plant in San Diego which has approximately one million square feet under roof.

The Cubic Corporation produces electronic surveying systems, defense systems, radio communications equipment, data processing equipment, and

medical instruments. It employs over 3,000 workers at the main plant and four divisions in San Diego.

General Atomic Co. (formerly Gulf Energy & Environmental Systems) is active in the design, development and marketing of nuclear power plants, employing approximately 1,900 persons.

Teledyne Ryan Aeronautical, which built Lindbergh's "Spirit of St. Louis", traces its organization to 1922. The company produces subsonic and supersonic aerial jet targets, a Doppler navigation set, microwave sensors, electronic counter-measures, micro-electronic packaging, and spacecraft instrumentation. The firm employs about 2,000 workers.

International Telephone and Telegraph Co. (Cable-Hydrospace Division) has built a \$45 million industrial complex in the San Diego Harbor area to produce submarine and other cable. ITT currently employs about 500 people.

Sony Corporation of Japan occupies a 140,000-square foot plant on a 30-acre site at Rancho Bernardo for the assembly of color television sets. Employment is more than 1,000.

The electronics industry provides employment for more than 11,000 persons in Metropolitan San Diego. Leading electronics and computer manufacturing firms are the Electronics Division of General Dynamics, NCR Corp., Cubic Corporation, Honeywell Information Systems, Cohu Inc., Stromberg-Datagraphix, Spectral Dynamics, Control Data, Burroughs Corporation, Conic Corporation, Hewlett-Packard, and Hughes Aircraft Co.

It is not anticipated that cancellation of the B-1 bomber program by the federal government will adversely affect the local economy. It is believed that there are few San Diego sub-contractors involved

Sea World and adjoining recreational attractions in Mission Bay Park.



in this program. Accelerated procurement of the Cruise missile by the federal government, if undertaken, may enhance employment at plants of General Dynamics and other local industrial firms.

Construction

In 1976 the city's total building permit valuation reached a record \$469,282,000, about 82 percent higher than the average annual permit valuation for the three preceding years. The City of San Diego was sixth among all U.S. cities in total building permit valuations for the first half of 1976, according to Dun & Bradstreet's Business Economics Division.

Since 1972 the City of San Diego has issued building permits valued at nearly \$1.9 billion. Approximately 64 percent of this total dollar volume consisted of residential valuation. Residential permits during this period included 46,799 housing units, of which 28,468 were in multi-family buildings.

Building permit valuation in San Diego by individual years since 1972 is presented below. A selected list of major permits issued by the city during the period January-April 1977 appears on page 39.

In the past 15 years, more than \$300 million has been spent for new construction in the downtown area. An addition to San Diego's skyline is the Community Concourse located on a seven-acre site in the central core of the city. It includes a 13-story City Administration Building and an adjoining six-story Operations Building, a convention hall, an ex-

hibit hall, the Civic Theatre, and a 1,000-car public garage.

Among major projects recently completed in the city are a \$42 million, 24-story federal office building and courthouse, and a 22-story office building for Central Federal Savings and Loan Association, valued at \$16.5 million. The federal complex anchors a redevelopment program (Horton Plaza) encompassing about 15 square blocks south of the central business area. The redevelopment plan for this area includes a proposed \$45 million shopping center by the E. W. Hahn interests. Mervyn's and Robinson's have both announced plans for building department stores in the area.

Contiguous to Horton Plaza to the south and west are two other major development projects. The Marina Project (125 acres) emphasizes housing on one-half of the area and retail/commercial/hotel occupancy on the other half, which is held by the Port District. Public investment is estimated at \$30 million and private investment might be as high as \$100 million. The Columbia Project (156 acres) links the business core and the Embarcadero. Commercial, office, and housing development are planned, including a convention facility/hotel with a 215,000-square foot convention hall and a 185,000-square foot exhibit hall.

Other current activities of the Redevelopment Agency include planning for the Gaslamp Quarter, an historical district emphasizing turn-of-the-century architecture and specialty establishments, to be located southeast of Horton Plaza.

CITY OF SAN DIEGO Building Permit Valuation (\$000 omitted)

	1972	1973	1974	1975	1976	1977 (4 Mos.)
Value:						
Residential	\$298,433	\$149,079	\$108,049	\$155,321	\$338,237	\$150,327
New commercial	66,985	50,941	48,793	27,048	64,523	24,358
New industrial	18,851	16,818	34,397	19,331	19,622	8,382
Other non-residential	51,009	35,344	73,259	55,410	46,900	18,195
Total	\$435,278	\$252,182	\$264,498	\$257,110	\$469,282	\$201,262
Number of residential units:						
Single	5,620	3,123	1,610	2,520	3,877	1,581
Multiple	9,798	3,692	2,623	2,529	6,540	3,286
Total	15,418	6,815	4,233	5,049	10,417	4,867

Source: *California Construction Trends*, Security Pacific Bank.

CITY OF SAN DIEGO

Selected Major Building Permits

January-April, 1977

Project	Owner/Builder	Permit Value
Tract homes (46)	Avco Community Developers Inc.	\$2,345,600
Tract homes (33)	Harry L. Summers Inc.	1,411,600
Tract homes (98)	Larwin So Cal Inc.	3,678,620
Tract homes (27)	The William Lyon Co.	1,223,620
Tract homes (90)	Cemland Development Co.	3,497,760
Tract homes (20)	Fletcher Hills Venture	1,256,100
Tract homes (22)	La Jolla Woods Dev. Co.	1,670,000
Tract homes (47)	Parkview #3 Inc.	2,473,400
Tract homes (70)	Valley Crest	2,623,100
Tract homes (88)	Donald L. Bren Co.	2,760,300
Tract homes (87)	H.G.H. Altd. Partnership	2,831,868
Tract homes (86)	Parkview Co.	3,812,250
Tract homes (50)	Ponderosa Homes	3,039,700
Tract homes (99)	Pardee Construction Co.	3,772,650
3-4 unit dwellings (144)	Donald L. Bren Co.	5,197,500
3-4 unit dwellings (224)	University Developers	6,549,000
Apartments (91)	Donald L. Bren Co.	3,368,000
Apartments (112)	Lion Property Corp.	3,107,000
Apartments (89)	Mabie & Mintz	1,404,000
Apartments (82)	Shapell Industries	2,400,000
Apartments (160)	Bach	2,404,200
Apartments (132)	Continental American Prop. Ltd.	2,130,000
Apartments (106)	McKellar & Assoc.	1,928,400
Condominiums (56)	Treetops Unlimited	2,083,000
Apartments (234)	American Development Corp.	6,148,000
Apartments (75)	Gentry & Coles	1,228,000
Apartments (224)	Quail Run	3,602,473
Apartments (116)	Ranbir S. Sahni	2,554,000
Apartments (92)	G. R. Smith Corp.	1,689,400
Electrical plant	Conic Corp.	1,313,600
Stores, theaters	Equity Investments	1,330,000
Office building	Pacific Southwest Mtg.	2,000,000
Industrial	Ron Young San Diego Bus. Ctr.	1,194,400
Medical office	National Medical Enterprises	1,168,000
Stores	John S. Griffith Co.	1,715,000
Shopping centers	University Towne Center Associates	3,529,000

Source: *California Construction Trends*, Security Pacific Bank.

Commerce

As the trade and service center of San Diego County, the city accounts for more than 50 percent of total taxable transactions in the county. Supplementing the central business district are major shopping centers at Fashion Valley and Mission Valley, north of the city center, and the suburban College

Grove and Clairemont Square regional commercial centers. Scheduled to open in October 1977 is the University City Shopping Center, located about four miles northeast of La Jolla. This 900,000-square foot complex will have 126 retail and service establishments, including Broadway, Sears, and Robinson's department stores. The Center is situated midway between Interstate 5 and Interstate 805.

CITY OF SAN DIEGO

Taxable Transactions

(\$000 omitted)

Year	Retail Outlets		All Outlets	
	Permits	Transactions	Permits	Transactions
1971	5,311	\$1,048,131	11,489	\$1,469,149
1972	5,459	1,222,714	12,003	1,709,809
1973	5,729	1,409,581	12,618	1,941,781
1974	5,838	1,540,328	13,350	2,159,690
1975	6,023	1,669,179	14,417	2,397,337
1976	6,302	1,919,237	15,925	2,697,408

Source: State Board of Equalization.

Taxable sales in the city for 1976 totaled nearly \$2.7 billion, an increase of 12½ percent over the previous year. Taxable sales through retail outlets increased 15 percent during the year. Taxable transactions in San Diego by years since 1971 are summarized in the tabulation at the top of this page.

Mexican nationals spend approximately \$80 million in San Diego County each year, based on estimates by the San Diego Chamber of Commerce. This is roughly 15 percent of total visitor expenditures. Devaluation of the peso by the Mexican government in the fall of 1976 has had an adverse effect on retail sales in certain areas, particularly near the border. The full effects of the devaluation cannot be determined at this time.

Military Installations

San Diego is headquarters for the Eleventh Naval District, embracing nine Southern California counties, Clark County in Nevada, and the State of Arizona. There are numerous Navy facilities in the San Diego area. Principal installations in the downtown area include the 11th Naval District Headquarters, Naval Supply Center, and the Engineering Facilities Command. U.S. Naval Station San Diego is the largest operational station in the Navy.

Larger naval facilities around the bay are the Submarine Support Facility and Naval Electronics Laboratory Center (on Point Loma); the Naval Training Center and Marine Corps Recruit Depot

(North Bay); the Naval Air Station (North Island); the Naval Amphibious Base (Coronado Strand); the Naval Station and Inactive Ship Maintenance Facility (South Bay); and the Naval Radio Station (Imperial Beach).

San Diego is the home port for approximately 120 warships. Navy personnel at major bases in the area, combined with ship crews, total over 85,000. Marine Corps personnel at Camp Pendleton and the U. S. Marine Corps Recruit Training Depot number approximately 35,000.

Total disbursements by the Navy and Marine Corps in San Diego County during 1976 amounted to \$2,174,573,740, a gain of nearly 8 percent over 1975. Active duty military payrolls accounted for 49 percent of total disbursements. Retired military payments increased slightly more than 15 percent to \$236 million. The total number of uniformed personnel remained fairly constant at 119,455, but the number of retired grew by 5 percent to 35,995. Civil service personnel dropped slightly from 29,557 to 27,852.

The overall military contribution to San Diego's economy of over \$2 billion, as summarized in the tabulation on page 41, places the military in second position as contributor to the local economy. San Diego's manufacturing industries collectively generate the largest single annual source of payrolls, taxes, and local purchases, according to the Chamber of Commerce.

SAN DIEGO COUNTY

Military Disbursements 1976

Category	Amount
Active Duty Military Payroll	\$1,073,024,087
Civilian Employee Payroll	387,191,739
Reserve Drill Pay	4,468,795
Retired Military Payments	236,067,364
Vendor/Contract Payments	369,221,755
Military Construction	104,600,000
Total Expenditures	\$2,174,573,740

Source: Military Affairs Division, San Diego Chamber of Commerce.

Research and Development

Research and development activity plays an important role in the San Diego economy. Construction of a major campus of the University of California at San Diego (UCSD) in 1964 added impetus to this development.

San Diego County is a leading health sciences and biomedical center. Approximately 28,000 persons are engaged in life sciences-related activities in the metropolitan area. In addition to UCSD, other established research institutions in the La Jolla area include the Salk Institute for Biological Studies, the Scripps Clinic and Research Foundation, and Scripps Institution of Oceanography.

The Salk Institute for Biological Studies was established at San Diego in 1963 by Dr. Jonas E. Salk for pure and applied research in the life sciences, uniting biological studies in such fields as the nature of living organisms with research in practical medicine.

A center of basic and clinical medical research, as well as medical training and actual treatment, is the Scripps Clinic and Research Foundation. The foundation, a non-profit organization founded in 1924, is headquartered in a \$25 million plant on a 12-acre site near the UCSD medical school. This organization operates over 40 laboratories and has more than 700 research employees, including senior scientists and fellows who are MD's or hold other doctorates.

A Veterans Administration Hospital, located adjacent to UCSD's School of Medicine, represents a major contribution to biomedical research in the area. It was built at a cost of \$35 million in 1972.

The Scripps Institution of Oceanography has been a unit of the University of California since 1912. The Institution occupies nine buildings on a 159-acre site in the La Jolla section of San Diego, where it is engaged in postgraduate education as well as research. The Institution is the world's leading center of marine biological research. Among its extensive facilities is the largest oceanographic fleet in the nation.

The Naval Electronics Laboratory Center is an outgrowth of the radio station established by the Navy at San Diego in 1905. A research and engineering staff of 900 (of 1,500 total employees) is engaged in command control and communications concepts and systems, computers and machine languages, electro-optics, electromagnetics, microelectronics and systems analysis.

The Naval Undersea Center (1,650 full-time permanent civilian and 275 military personnel) does research and development work in ocean engineering, biosystems research, and related technologies.

Lockheed Ocean Laboratories, a unit of Lockheed Missiles and Space Company of Sunnyvale, California, is located at the entrance to Harbor Island. It is a major contractor with the Navy Deep Submergence Systems Project for the design, construction and testing of a Deep Submergence Rescue Vehicle (DSRV). Facilities include the submarine Deep Quest, the support ship Transquest, and research ship Sea Quest.

General Atomic Co. ranks as the world's largest privately-owned center for diversified nuclear development, with approximately 500,000 square feet of laboratory facilities representing an investment of more than \$23,000,000 on its 350-acre site near the UCSD campus.

Finance

Banking services in the city are provided by Bank of America (30 offices, including five at military installations), California First Bank, Bank of Montreal-California, California Canadian Bank, California Heritage Bank, The Chartered Bank of London, Citizens Western Bank, Grossmont Bank, Crocker National Bank, Imperial Bank, Lloyds Bank California, Mexican-American National Bank, Pacific Coast Bank, Peninsula Bank, San Diego Trust and Savings Bank (7 offices), Security Pacific National Bank (9 offices), Sumitomo Bank of California, Union Bank, United California Bank (3 offices),

Wells Fargo Bank, Westlands Bank, and the Women's Bank.

Twelve savings and loan associations maintain offices in the city. San Diego-based Imperial Corporation of America is a \$3 billion holding company which owns nine savings and loan associations operating more than 120 offices in Texas, Colorado, Kansas and California.

Bank debits in the City of San Diego for the first four months of 1977 totaled \$29,847,332,000, according to the Federal Reserve Bank of San Francisco. This is about \$754 million greater than the same period of 1976. Bank deposits at April 29, 1977 were \$853,663,000, compared with \$775,301,000 at the equivalent date of the previous April.

Visitor and Convention Business

The visitor and convention industry contributes approximately \$800 million dollars annually to the economy of the area, according to studies by the San Diego Convention and Visitors Bureau. The visitor industry payroll for 1976 is estimated at \$236 million.

In 1976 San Diego hosted 889 conventions, attended by over 480,000 delegates who spent in excess of \$135 million. A tabulation of convention business is shown at right.

An excellent climate, proximity to Mexico, extensive Navy facilities, Coronado, and such attractions as the San Diego Zoo, Sea World, San Diego Wild Animal Park, and Cabrillo National Monument are prime tourist attractions. Contributing to the growth of visitor business has been the development of the 4,600-acre Mission Bay Park and the construction of meeting and convention facilities at the San Diego Community Concourse.

The famous San Diego Zoo has more than 5,000 animals of 1,575 species, comprising one of the world's largest wild animal exhibits. Other attractions in the 1,400-acre Balboa Park are Children's Zoo, the unique Old Globe Theatre, Fine Arts Gallery, Museum of Man, Natural History Museum, Spanish Village Art Center, Balboa Bowl, Balboa Stadium, a \$3 million Planetarium and Scientific Exhibit Hall, and two golf courses. Nearly 3.3 million persons visited the Zoo in 1976.

Sea World, opened in 1964, encompasses 70 acres of bay waters and land area. More than two million visitors were recorded in 1976, an increase of 9.7 percent over 1975. Cabrillo National Monu-

ment, located at the most southwesterly point in the United States, hosts over 1½ million people annually.

The 1,800-acre San Diego Wild Animal Park, a development of the San Diego Zoo, is located three miles east of Escondido. It reported approximately one million visitors in 1976, a record number.

SAN DIEGO CONVENTIONS

	Number of Conventions	Number of Delegates	Estimated Spending
1970	531	343,825	\$ 51,000,000
1971	573	302,400	44,897,328
1972	602	348,796	55,807,360
1973	631	355,000	56,846,880
1974	771	443,310	79,795,800
1975	821	468,002	102,960,440
1976	889	485,563	135,954,840

Source: San Diego Convention and Visitors Bureau.

Transportation

San Diego's harbor is one of the ten natural harbors in the world. The Port of San Diego has been an important source of commerce for many years. Total annual tonnage over the piers has grown by over 30 percent since 1970, as shown in the tabulation of marine commerce on page 43. Member cities of the San Diego Unified Port District are San Diego, National City, Chula Vista, Imperial Beach and Coronado.

San Diego has one of the nation's most conveniently located commercial airports. International Airport (Lindbergh Field) is located approximately a mile west of the downtown area, at the edge of San Diego Bay. The facilities are owned and maintained by the San Diego Unified Port District and are leased to commercial airlines and other tenants. San Diego International is California's third most active commercial airport. A ten-gate addition to the air terminal was completed in 1976. The main runway is capable of handling the largest jetliners. A 22-acre parking ramp for commercial aircraft has been built. The airport is served by nine scheduled airlines, including Pacific Southwest Airlines (PSA), which is headquartered at the field. Since 1970, both passenger traffic and cargo shipments have increased.

as shown in the tabulation at right. A new West Terminal is planned for completion in the fall of 1978, supplementing the present air terminal.

San Diego is the western terminus of Interstate 8 originating in Jacksonville, Florida. Interstate 5, the major north-south route through California, connects San Diego with other major West Coast cities. U. S. Highway 395 and Interstate 15 join north of the city to provide an alternate route through Escondido to San Bernardino and Riverside. Interstate 5 is being constructed to full freeway standards (eight lanes) from Tijuana to Orange County while Interstate 8 and 805 are being expanded to six and eight-lane freeways in San Diego County. Interstate 805 is an express route from Del Mar to the Mexican border, passing west of Montgomery Field (the auxiliary city airport) and east of the city center.

Greyhound and Continental Trailways schedule regional and interstate motor transportation. Local bus service throughout the Greater San Diego Area is provided by the San Diego Transit Corporation, a non-profit corporation formed by the city to acquire the facilities of the previous privately-owned company.

The San Diego Coronado Bay Bridge, opened in 1969, links the City of San Diego with the Coronado Peninsula.

San Diego is the terminus of the Atchison, Topeka and Sante Fe Railway route from Los Angeles and San Bernardino. AMTRAK passenger service is available at San Diego. The San Diego and Arizona Eastern Railway, part of the Southern Pacific System, provides freight service to the Imperial Valley

and other eastern points. Southern Pacific has proposed abandonment of this line, and is awaiting regulatory approval.

SAN DIEGO INTERNATIONAL AIRPORT

Fiscal Year	Number of Passengers	Pounds of Air Cargo
1970	3,341,291	38,638,400
1971	3,464,174	37,946,200
1972	3,915,395	39,585,000
1973	4,274,286	43,161,600
1974	4,410,972	41,388,200
1975	4,298,580	39,930,200
1976	4,700,000	43,680,000

Source: San Diego International Airport.

Utilities

The San Diego Gas and Electric Company provides electric power and natural gas in the City of San Diego and other communities in the coastal area of the county. Telephone service is provided by Pacific Telephone Company, which established the San Diego division as a separate operating division to meet increasing demands for service.

Water service is supplied by the City of San Diego. An adequate supplemental water supply is available from the Metropolitan Water District of Southern California via the San Diego County Water Authority. The Metropolitan Sewerage System of the City of San Diego furnishes sewerage service in the city and surrounding developed areas.

SAN DIEGO UNIFIED PORT DISTRICT

Marine Commerce

Year Ended June 30	Tons			
	Import	Export	Domestic	Total
1970	271,896	648,973	378,981	1,299,850
1971	252,369	626,878	513,598	1,392,845
1972	279,597	346,592	800,635	1,426,824
1973	359,437	447,635	797,098	1,604,170
1974	493,809	694,807	702,815	1,891,431
1975	318,058	981,418	579,670	1,879,146
1976	214,830	641,612	840,560	1,697,002

Source: San Diego Unified Port District.

Education

As noted previously, the San Diego Unified School District serves most of the City of San Diego. Portions of the city are within two other unified school districts, four high school districts, and 14 elementary school districts.

Community colleges in California are locally operated and administered two-year institutions beyond high school. They offer the Associate in Arts and Associate in Science certificates and have extensive vocational curricula. With the required credits, a student may transfer to a four-year institution in the junior year.

There are five community college districts in Metropolitan San Diego. In 1975/76 these districts reported a combined enrollment of 80,098 students at eight campuses. The San Diego Community Colleges District operates four campuses in San Diego: San Diego City College (enrollment 5,488), San Diego Evening College (17,908), San Diego Mesa College (10,010), and San Diego Miramar College (1,034).

Other community colleges in the county are Grossmont College in El Cajon (16,208), Palomar College at San Marcos (12,987), Southwestern College in Chula Vista (12,572), and Mira Costa College in Oceanside (3,891).

Among the four-year institutions of higher education in Metropolitan San Diego are the University of California at San Diego (8,808 students), San Diego State University (31,557), University of San Diego (3,095), United States International University (1,953), Point Loma College (1,460), National University (1,249), and Western State University College of Law (1,182).

The University of California at San Diego offers graduate and undergraduate instruction at four colleges—Revelle College, John Muir College, Third College, and Fourth College. The campus serves as headquarters for the University's Institute of Marine Resources and includes the long-established and celebrated Scripps Institution of Oceanography. There is a School of Medical and Health Sciences, which enrolls 790 in addition to the enrollment total shown above.

San Diego State University offers the bachelor's degree in 64 fields, and the master's degree in 50.

There are doctorate programs in chemistry, genetics and ecology at this campus. The University also operates an Off Campus Center at Calexico, in Imperial County. This campus enrolled 442 students in the fall of 1975.

The University of San Diego (Catholic) offers the Master's degree in ten fields and awards the Juris Doctor degree at its School of Law. United States International University, also a private institution, operates a school of the visual and performing arts.

Recreation

The San Diego area's mild, year-round climate and many attractions and recreation features have drawn millions of visitors annually from throughout the nation. The City of San Diego has responded to this with the building of the Downtown Community Concourse, the \$6,500,000 Sports Arena, and the \$27,750,000 San Diego Stadium.

Balboa Park covers 1,400 acres in the center of the city and includes museums, art galleries, theatres and recreation areas, in addition to miles of garden walks. Covering 128 acres within the park is the San Diego Zoo, which has one of the largest collections of wild animals on display in the world. The San Diego Planetarium Authority has constructed a Planetarium and Hall of Science on a three-acre site in Balboa Park. Near the center of the Park is the International Aerospace Hall of Fame, which is co-located with the San Diego Aerospace Museum.

Mission Bay Park is a 4,600-acre joint public and private development including hotels and motels, marinas, restaurants and Sea World, which offers performances by whales, porpoises and a variety of sea animals, as well as Japanese pearl divers and hydrofoil rides on Mission Bay.

There are 74 golf courses in San Diego County, including the championship Torrey Pines and La Costa courses, scene of the San Diego Open and Tournament of Champions, respectively.

A major attraction is the proximity to Mexico, where the visitor can attend greyhound and thoroughbred racing, jai alai, and bullfights. Beaches, mountains, and desert areas of the county are within convenient driving distance for residents of the District.

METROPOLITAN SAN DIEGO

Metropolitan San Diego (San Diego County), an important industrial, military, research and oceanographic center, is one of the fastest growing areas of the United States. The Metropolitan Area extends 70 miles along the Pacific Coast from the Mexican border to Orange County. It is bounded on the northeast by Riverside County and extends inland 75 miles to Imperial County. Encompassing 4,255 square miles, the county is approximately the size of the State of Connecticut. The San Diego area is one of the oldest settled sections of the United States. The Bay of San Diego was discovered in 1542 by the Spanish explorer Cabrillo, and in 1769 Father Junipero Serra founded the Mission San Diego de Alcalá, the first in the chain of 21 California missions.

The county is governed by a five-member Board of Supervisors elected to four-year terms in even numbered years by district voters in non-partisan elections. San Diego is a chartered county.

Topography of the county varies from broad coastal plains to fertile inland valleys and mountain ranges to the east, rising to an elevation of 6,500 feet. Eastern slopes of these mountains form the rim of the Anza-Borrego Desert and the Imperial Valley. Climate is equable in the coastal and valley regions where most of the population and resources are located. Maximum daily temperatures along the coast average 70.8° and mean temperatures vary only 14° between the warmest and coldest months. Average annual rainfall in the coastal areas is approximately ten inches.

Growth is evident in the summary of economic indicators presented below. Population, employment, and electric power consumption have registered significant gains. Taxable sales, bank debits, and value of manufactures, although subject to inflationary bias, also show strong increases.

METROPOLITAN SAN DIEGO

Summary of Selected Economic Indicators

(in thousands)

Indicator	1972	1973	1974	1975	1976
Population (July 1)	1,423	1,474	1,519	1,594	1,620
Assessed Valuation	\$ 3,482,822	\$ 3,853,613	\$ 4,362,536	\$ 5,031,618	\$ 5,690,643
Building Permit Valuation	\$ 992,578	\$ 750,248	\$ 705,257	\$ 677,476	\$ 1,278,578
Taxable Sales	\$ 3,293,149	\$ 3,833,391	\$ 4,296,856	\$ 4,740,460	\$ 5,395,786
Value of Manufactured Products	\$ 1,822,000	\$ 2,165,000	\$ 2,446,000	\$ 2,940,800	\$ 3,178,000
Bank Debits	\$46,332,449	\$55,564,422	\$69,783,650	\$85,509,206	\$99,596,521
Wage and Salary Employment .	424	452	467	475	494
Electric Consumption (Kwh) .	7,001,214	7,489,360	7,347,300	7,801,589	8,440,098

Sources: San Diego Economic Research Bureau and Security Pacific Bank.

Agriculture

San Diego County ranks among the top agricultural counties in the United States. Farm production exceeds \$300 million yearly, with animal products, vegetables, fruits, and nursery products forming the bulk of gross agricultural output. Eggs, tomatoes, avocados, valencia oranges, and milk are the most important individual farm products, together accounting for over 60 percent of gross value in 1976.

Cultivated acreage in the county amounted to over 77,000 acres in 1976, an increase of 14 percent over 1975. Employment in agriculture ranged between 11,400 and 14,500 during the year.

The present drought in northern and central California has not had an adverse effect on agriculture in San Diego County. No critical water shortage is envisioned in Southern California for 1977, according to a special report by the Security Pacific Bank.

Annual summaries of agricultural production in the county since 1972 are presented below. Vegetables and animal products (largely milk and eggs) have experienced the strongest growth rates in this period.

SAN DIEGO COUNTY

Gross Value of Agricultural Production

Commodity	1972	1973	1974	1975	1976
Field crops	\$ 1,126,200	\$ 3,084,800	\$ 2,727,350	\$ 3,702,000	\$ 4,709,800
Fruits and nuts	40,624,300	56,913,000	54,033,610	75,656,510	84,074,200
Vegetables	35,980,200	41,184,300	60,339,000	67,893,000	73,751,200
Nursery products	31,055,000	37,283,000	40,135,000	62,376,000	68,747,000
Livestock and poultry	14,327,000	10,274,000	9,686,000	10,953,000	10,840,000
Animal products	44,365,000	69,403,000	72,640,000	72,105,000	80,324,000
Apiary	33,000	1,200,000	300,000	836,000	395,000
Total	\$167,510,700	\$219,342,100	\$239,860,960	\$293,521,810	\$322,841,200

Source: County Department of Agriculture, Weights, and Measures.

Management's Comments on Lease Accounting Policy

The Corporation has adopted the financing method of accounting for the facility leases entered into with San Diego Unified School District. The Corporation, therefore, has recorded a contract receivable from the District. Under the financing method of accounting, each rental payment received from the District will be allocated between principal and interest. The principal portion will be used to reduce the contract receivable from the District and the interest portion will be recorded as income to the Corporation. The loss of \$1,777,572 from operations for the period December 23, 1974 (inception) to June 30, 1976 is a result of recording the interest on the bonds as an expense while recognition of the interest income portion of the lease payments did not begin until the first lease payment was received in December, 1976. *Funds to pay the bond interest expenses due before the loan payments began were provided from initial bond proceeds.*

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SAN DIEGO UNIFIED SCHOOL DISTRICT
PUBLIC SCHOOL BUILDING CORPORATION

FINANCIAL STATEMENTS

December 23, 1974 (inception) to June 30, 1976

(With Accountants' Report Thereon)

Board of Directors
San Diego Unified School District
Public School Building Corporation:

We have examined the balance sheet of San Diego Unified School District Public School Building Corporation as of June 30, 1976, and the related statement of operations and accumulated deficit and changes in financial position for the period December 23, 1974 (inception) to June 30, 1976. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of San Diego Unified School District Public School Building Corporation at June 30, 1976 and the results of its operations and changes in its financial position for the period December 23, 1974 (inception) to June 30, 1976, in conformity with generally accepted accounting principles applied on a consistent basis.

PEAT, MARWICK, MITCHELL & CO.

San Diego, California
September 17, 1976

**SAN DIEGO UNIFIED SCHOOL DISTRICT
PUBLIC SCHOOL BUILDING CORPORATION**

BALANCE SHEET

June 30, 1976

ASSETS

Current assets:

Cash with fiscal agent	\$ 1,054
Investments (Note 3)	13,995
Current portion of contracts receivable	700,000
Accrued interest receivable	922
Total current assets	<u>715,971</u>

Restricted assets:

Revenue bond debt service:

Cash with fiscal agent	\$ 12,290	
Time certificates of deposit	2,980,000	
Investments (Note 3)	3,006,083	
Accrued interest receivable	<u>181,690</u>	6,180,063

Revenue bond reserve:

Cash with fiscal agent	1,262	
Investments (Note 3)	7,288,427	
Accrued interest receivable	<u>142,900</u>	7,432,589

Revenue bond construction:

Cash with fiscal agent	171,662	
Time certificates of deposit	6,820,760	
Investments (Note 3)	7,705,211	
Accrued interest receivable	<u>395,635</u>	15,093,268

Total restricted assets		28,705,920
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Contracts receivable, excluding current portion (Note 4)		48,659,088
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Unamortized bond discount		504,667
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Unamortized bond issue costs		286,944
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		<u>\$78,872,590</u>
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LIABILITIES AND ACCUMULATED DEFICIT

Current liabilities (payable from restricted assets):

Construction contracts payable	\$ 2,230,627
Construction retentions payable	2,814,830
Current portion of revenue bonds payable	550,000
Accrued interest payable	3,354,705

Total current liabilities	8,950,162
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Revenue bonds payable, excluding current portion (Note 5)	71,700,000
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Total liabilities	80,650,162
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Accumulated deficit (Note 4)	(1,777,572)
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	<u>\$78,872,590</u>
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See accompanying notes to financial statements.

**SAN DIEGO UNIFIED SCHOOL DISTRICT
PUBLIC SCHOOL BUILDING CORPORATION**

STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT

Period December 23, 1974 (inception) to June 30, 1976

Interest income from investments		\$ 2,564,868
Expenses:		
Interest expense	\$4,321,448	
Amortization of bond issue costs	11,467	
Trustees' fees	9,475	
Other	50	
Total expenses		<u>4,342,440</u>
Net loss and accumulated deficit for the period ended June 30, 1976 (Note 4)		<u>\$ (1,777,572)</u>

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION

Period December 23, 1974 (inception) to June 30, 1976

Sources of working capital:		
Proceeds from sale of revenue bonds less current installments of \$550,000	\$71,700,000	
Increase in current liabilities (payable from restricted assets)	8,950,162	
		<u>\$80,650,162</u>
Uses of working capital:		
Net loss	\$ 1,777,572	
Revenue bond proceeds recorded as:		
Increase in revenue bond debt service assets	6,180,063	
Increase in revenue bond reserve assets	7,432,589	
Increase in revenue bond construction assets	15,093,268	
Contracts receivable, less current portion of \$700,000 (Note 4)	48,659,088	
Unamortized bond discount	504,667	
Unamortized bond issue costs	286,944	
Increase in current assets	715,971	
		<u>\$80,650,162</u>

See accompanying notes to financial statements.

**SAN DIEGO UNIFIED SCHOOL DISTRICT
PUBLIC SCHOOL BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS**

June 30, 1976

(1) Summary of Significant Accounting Policies

(a) *Basis of Accounting:*

The San Diego Unified School District Public School Building Corporation operates and reports as an enterprise utilizing the accrual method of accounting.

(b) *Investments:*

Investments are stated at cost, adjusted for amortization of discount or premium, which approximates market.

(c) *Lease Accounting:*

The facility leases are accounted for under the financing method. Accordingly, the Corporation has recorded a contract receivable from the San Diego Unified School District (District). See note 4.

(d) *Bond Discount and Issue Costs:*

Bond discount and issue costs are deferred and amortized on the straight-line method over the life of the bonds.

(2) Organization

The San Diego Unified School District Public School Building Corporation was incorporated December 23, 1974, under the General Nonprofit Corporation Law of the State of California to provide financing for the acquisition and construction of public school buildings which will be leased to San Diego Unified School District. Upon dissolution of the Corporation, after the payment of all liabilities, all remaining assets of the Corporation will be paid or distributed to the District. See notes 4 and 5.

(3) Investments

A summary of investments follows:

	<u>Cost</u>	<u>Market Value</u>
General operations:		
United States Treasury bills	\$ 13,995	\$ 14,942
Revenue bond debt service:		
United States Treasury bonds	\$1,334,819	\$1,343,635
Other United States Government obligations	263,801	263,310
United States Treasury bills	47,463	48,495
Held by bank under repurchase agreement	1,360,000	1,360,000
	<u>\$3,006,083</u>	<u>\$3,015,440</u>
Revenue bond reserve:		
United States Treasury bonds	\$ 22,281	\$ 22,340
Federal National Mortgage Association debentures	7,266,146	7,313,637
	<u>\$7,288,427</u>	<u>\$7,335,977</u>
Revenue bond construction:		
United States Treasury bills	\$5,919,150	\$5,992,211
United States Treasury bonds	31,159	31,132
Other United States Government obligations	424,902	424,110
Held by bank under repurchase agreement	1,330,000	1,330,000
	<u>\$7,705,211</u>	<u>\$7,777,453</u>

All investments at June 30, 1976 mature within one year, except \$22,281 of United States Treasury bonds which mature in five to nine years and \$7,266,146 of Federal National Mortgage Association debentures, which mature in three to nine years.

**SAN DIEGO UNIFIED SCHOOL DISTRICT
PUBLIC SCHOOL BUILDING CORPORATION**

NOTES TO FINANCIAL STATEMENTS—(Continued)

(4) Facility Leases and Contract Receivable

The Corporation has leased the sites for the new public school buildings from the District for an annual rental payment of \$2. These site leases terminate December 1, 2000 and 1995 for projects constructed under Series A and B bonds, respectively.

Under the terms of the two facility leases, the Corporation leases the sites together with the public school buildings constructed by the Corporation to the San Diego Unified School District. The facility leases terminate November 30, 2000 and 1995 for Series A and B bonds, respectively, or when the bonds have been fully paid. These leases provide that the lease payments will be made on a semi-annual basis on December 15 and June 15 of each year beginning December 15, 1976 and 1977 for Series A and B, respectively. Semi-annual rental will be \$1,669,640 for facilities constructed under Series A bonds and \$1,809,668 under Series B bonds.

The terms of these facility leases provide for full recovery by the Corporation of its cost of the public school buildings, together with interest and expenses. Income from these facility leases will be recognized under the financing method. Aggregate income from this type of lease is total rentals, less cost of the buildings; this income will be recorded in decreasing amounts which results in an approximate level rate of return on the unrecovered investment. This income from these facility leases will be recognized over the life of the leases starting with the first rental payment to be received in December 1976. The revenue bond interest payable during construction is recorded as an expense.

The Corporation has recorded a contract receivable at June 30, 1976 which is summarized as follows:

Aggregate scheduled rental payments	\$145,290,700
Less unearned income	91,192,169
Contract receivable (equivalent to total estimated construction costs)	54,098,531
Less estimated future construction costs	4,739,443
Contract receivable at June 30, 1976	49,359,088
Less current portion	700,000
Contract receivable excluding current portion	<u>\$ 48,659,088</u>

(5) Revenue Bonds Payable

The Corporation has issued two series of revenue bonds in the principal amount of \$72,250,000.

Series A bonds in the principal amount of \$37,250,000 are dated July 1, 1975 and were issued in denominations of \$5,000, with interest rates from 6.2% to 8%. Interest is payable semi-annually on January 1 and July 1. The bonds consist of \$8,250,000 serial bonds due 1977 through 1986 and \$29,000,000 term bonds maturing in 2000. The Series A bonds mature on July 1 in years shown below:

Maturity Date July 1	Principal Amount	Interest Rate	Maturity Date July 1	Principal Amount	Interest Rate
1977	\$ 550,000	8.00%	1983	\$ 900,000	8.00%
1978	600,000	8.00	1984	1,000,000	8.00
1979	650,000	8.00	1985	1,050,000	7.75
1980	700,000	8.00	1986	1,150,000	6.20
1981	800,000	8.00	2000	29,000,000	7.20
1982	850,000	8.00			

**SAN DIEGO UNIFIED SCHOOL DISTRICT
PUBLIC SCHOOL BUILDING CORPORATION**

NOTES TO FINANCIAL STATEMENTS—(Continued)

(5) Revenue Bonds Payable, Continued

Series B bonds were issued in the principal amount of \$35,000,000 dated October 1, 1975 with interest rates from 7% to 8%. Interest is payable semi-annually on January 1 and July 1. The issue consists of \$15,300,000 serial bonds due 1978 through 1988 and \$19,700,000 term bonds maturing in 1995. The Series B bonds mature on July 1 in years shown below:

<u>Maturity Date July 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity Date July 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
1978	\$ 900,000	8.00%	1984	\$ 1,450,000	8.00%
1979	1,000,000	8.00	1985	1,600,000	7.30
1980	1,050,000	8.00	1986	1,700,000	7.00
1981	1,150,000	8.00	1987	1,850,000	7.10
1982	1,250,000	8.00	1988	2,000,000	7.20
1983	1,350,000	8.00	1995	19,700,000	7.50

Except in the event of destruction or condemnation of the project, bonds maturing on or before July 1, 1986 and 1988 are not subject to call or redemption prior to their fixed maturity dates, for Series A and B, respectively. Bonds maturing on or after July 1, 2000 and 1995 are subject to call and redemption, at the option of the Corporation, as a whole or in part, by lot from any source of available funds, on January 1, 1987 and 1989, for Series A and B, respectively, or on any interest payment date thereafter. The bonds are redeemable at par plus accrued interest and a premium equal to one-fourth of one percent for each year or fraction of a year from the redemption date to the maturity date not to exceed 3½%.

Bond principal and interest coming due each year is payable from semi-annual lease payments by the San Diego Unified School District for use of the facilities. Revenue to meet the lease obligations of the District is derived from a voter approved maximum annual tax rate increase of \$0.383 per \$100 assessed valuation over the period 1975/76 to 2002/03 for the purpose of purchasing school sites not then owned by the District, preparing plans and specifications, and leasing the fully furnished facilities. Obligations under Series A and B will require approximately \$0.145 and \$0.143, respectively, of the \$0.383 approved maximum tax rate to meet lease obligations for the year ended June 30, 1977.

(6) Trustee

Under the terms of the Indenture Agreement, the trustee will receive and disburse all bond proceeds and income of the Corporation. The trustee will also act as paying agent and as bond registrar for the Corporation.

The Indenture Agreement also provides for the establishment of special accounts, all to be held and administered by the trustee. Proceeds from the sale of the bonds were deposited with the trustee and recorded in the special accounts as set forth in the accompanying financial statements.

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